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ABSTRACT

The background papers contained in this document present preliminary recommendations intended to stimulate discussion of issues to be addressed in the reauthorization of the Higher Education Act, which since 1965 has delineated federal policies and programs governing student aid and categorical assistance to colleges and universities. The papers are the product of six task forces. Four of the task forces considered aspects of student aid; their reports deal with the need analysis and delivery system, treatment of low-income students, treatment of middle-income students, and graduate and professional programs. The other task forces examined currently authorized categorical programs: those designed to foster institutional program development (adult education, international studies, cooperative education, urban grants, Fund for the Improvement of Postsecondary Education, teacher education, and Veterans Cost of Instruction) and those intended to strengthen institutional resources (facilities, libraries, developing institutions, and historically black institutions). (JDD)

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BACKGROUND PAPERS

ON

HEA REAUTHORIZATION ISSUES

November 1989

American Council on Education
Division of Governmental Relations

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HE 023 316

AMERICAN COUNCIL ON EDUCATION

Division of Governmental Relations

MEMORANDUM

TO: Colleagues

FROM: Charles B. Saunders, Jr.
Senior Vice President

SUBJ: Background Papers on HEA Reauthorization Issues

DATE: November 8, 1989

The enclosed reports are intended to stimulate discussion of issues to be addressed in the reauthorization of the Higher Education Act, which expires in FY 1991. Congress will soon begin the process of reauthorizing this important statute, which since 1965 has delineated federal policies and programs governing student aid and categorical assistance to colleges and universities.

With these reports as background, the national higher education associations will now begin to develop recommendations for presentation to the congressional authorizing committtees when hearings begin in 1990. The reports are the product of six task forces established in the spring of 1989 to review the provisions of the Act and identify reauthorization issues. Membership on the task forces was open to all Washington higher education representatives who chose to participate.

Four of the task forces considered aspects of student aid: their reports deal with the need analysis and delivery system (pp.1-14); treatment of low-income students (pp.15-23); treatment of middle-income students (pp. 24-28); and graduate and professional programs (pp. 29-36). The other task forces examined currently authorized categorical programs : those designed to foster institutional program development (pp. 37-40) (adult education, international studies, cooperative education, urban grants, FIPSE, teacher education, and Veterans Cost of Instruction), and those intended to strengthen institutional resources (pp. 41-47) (facilities, libraries, developing institutions, and historically black institutions).

The task force reports are preliminary; their recommendations do not represent a consensus of the national associations. Rather, they identify issues and concepts for further consideration and debate, not only within the higher education community but with members of Congress and their staffs, as well as with officials of the Education Department (which established its own reauthorization task forces this fall).

We are indebted to the association officials and college, university and trade school representatives who contributed to these reports. Their work will help to inform the discussion of reauthorization issues at annual conventions and other formal and informal meetings in the months ahead.

We hope that this extended process will in turn produce further recommendations, and generate a growing consensus on priorities for changes in the Higher Education Act. We solicit your comments, and your additional suggestions.

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I

TASK FORCE
on
NEED ANALYSIS AND THE STUDENT AID DELIVERY SYSTEM

Chair:
A. Dallas Martin, President
National Association of Student Financial Aid Administrators

STUDENT AID DELIVERY SYSTEM

OVERVIEW

The delivery of student aid in the United States has long been conceptualized as a partnership involving the federal, state, institutional, and private donors with student recipients as full participants in the partnership. While any of the partners may have a primary responsibility in some aspect of the system, all of the partners must be involved actively if the system is to be efficient.

Historically, the federal government has been primarily concerned with the federal student aid programs. It is in the national interest, however, for the federal government to facilitate coordination among the various partners to maximize the use of state, institutional, and private aid dollars. This approach enables the federal dollar to accomplish more effectively its purpose, which is to provide financial resources to students who would otherwise be unable to enter and complete the type of postsecondary education they pursue.

It is essential that the various processes be coordinated to reach this end. In the past, delivery system issues have been addressed through voluntary association and action by those individuals and organizations most directly involved, rather than through the imposition of absolute federal control or management as is found in certain other domestic social programs.

Student aid has also grown and changed dramatically over the past thirty years, with ever increasing student aid resources, numbers of recipients, and individual parties and entities involved in the system. While the nation can take justifiable pride in this expansion, this growth has also created confusion, complexity, and duplication of efforts that frustrate students, parents, policy makers, and those responsible for the operation of the system. It is, therefore, appropriate that many facets of the delivery system be reexamined prior to the next Reauthorization of the Higher Education Act.

The majority of the postsecondary education community continues to believe that the most appropriate way to achieve improvements and consensus with the student aid delivery system is through the longstanding, coordinated, voluntary partnership structure. Still, the fact remains that if several existing internal and external factors are not resolved, there is an increasing likelihood that the system will be fractured into a single federally controlled system within the Education Department for Title IV programs, and one or more other uncoordinated, dissimilar systems for state, institutional, private, and/or other non-Education Department federal aid programs.

Most people believe that if the already overburdened delivery system is not coordinated, it will only grow in confusion, costs, and complexity. The result will be a greater proliferation of applications and data collection documents. The sequence of actions and activities of the various

sources of student aid and methods by which need and eligibility for them are determined will only become more inconsistent. In the end, the ability to effectively and efficiently serve the neediest students will become extremely difficult, if not impossible.

Coordination is seen as the means to help insure that there is order in the process and an efficient system of organization that will guide the delivery of student aid. It does not, however, necessarily require that all the forms, programs, or processes must be the same.

The evolution of the student aid delivery system in and of itself has recognized the wide diversity that exists in America's postsecondary educational system, and the public and private responses that have generally addressed these differing needs.

Unfortunately, some recent developments have not advanced the goal of diversity. For example, many would argue that the original purpose for enacting the multiple data entry provisions in 1976 was to simplify application procedures for students and recognize the different processors whose services and procedures addressed the needs of different constituencies. But, in fact, in the last few years, the more rigid steps involved in the contract procurement process have actually caused the systems to become more alike and have not ultimately simplified the process from the student's perspective. Perhaps this is just the nature of most federal procurement processes, but additionally, it appears the Education Department has somewhat deliberately molded the overall student aid delivery system to meet its desired goals and budgetary expenditures. The voluntary partnership and shared decision-making responsibilities that existed in the past have been all but eliminated. Further, recent Congressional actions, while attempting to address the system's deficiencies, have done little to address the broader partnership issue, but have, nonetheless, imposed other modifications.

The Higher Education Amendments of 1986 clearly made a number of changes which have had a direct bearing upon the overall student aid delivery system. The adoption of a master calendar, establishment of the Simplified Needs Test, the refinement in the definition of a common financial aid form, the requirement for a Federal Student Assistance Report, the authority for creating a national student loan data system, and the expansion in the number of required Multiple Data Entry processors are but a few of the enacted statutory provisions which affected the delivery system.

More recently, other changes to the student aid delivery system have been initiated and are scheduled to go into effect for the 1990-91 processing cycle as a part of the Education Department's contract procurement process.

As a part of its review of the delivery system, the Task Force was briefed by Mr. Bill Moran from the Office of Student Financial Assistance, and Mr. Brian Fitzgerald, Staff Director of the Advisory Committee on Student Financial Assistance. Both individuals described what they perceived as the strengths and weaknesses of the current delivery system from their vantage points.

From these discussions, the Task Force identified two specific topics which are included as delivery system technical update issues and might well be addressed before Reauthorization occurs.

The other issues are far more complex and include several topics that necessitate detailed analysis and/or data simulations before they can be reasonably addressed. Still, they represent some proposed solutions that are the most commonly advanced when discussions occur on the delivery system. These topics and a short explanation of each are included under the category of broad policy issues and are followed by the two technical update issues.

BROAD POLICY ISSUES

1. **Agreement on Design Principles for the Delivery System.** Full participation of all involved parties is a fundamental consideration in the development of a full-service delivery system. In the fall of 1988, the Advisory Committee on Student Financial Assistance identified four design principles that it believed should be used in developing and implementing an ideal delivery system. These elements included simplicity, integration, decentralization, and equity. While the Advisory Committee report discussed each of these principles, they were not specifically defined. In earlier reports, others have also proposed additional similar variations of these principles. Presently, however, a consensus does not exist within the community about the underlying principles that should be used to design and evaluate the current or a modified system. Therefore, the Task Force believes that this issue should be addressed to insure that there is community agreement upon which to structure a national student aid delivery system.

2. **Assurance of Shared Decision-Making Regarding the Delivery System.** While there is a general agreement that the successful delivery of student aid is dependent upon a voluntary partnership involving federal, state, institutional, and private donors, along with full participation by student recipients, questions still arise as to who has what roles and who makes what decisions. These issues suggest that there is a need for closer working arrangements to insure that aid can be distributed efficiently and equitably and that the needs of qualified students are being met. The Task Force, therefore, believes that roles and responsibilities for all of the interested parties who are involved and affected by the delivery system should be carefully defined and agreements on structures established to insure shared decision-making. Further, the Task Force believes that it may be appropriate for Congress to hold the Education Department more explicitly accountable for insuring its federal leadership role, in partnership with the other entities involved in delivering student aid dollars, for the development, implementation, and management of an integrated student aid delivery system.

3. **Defining Who Should Pay for the Delivery System.** The current statute indicates that no fees shall be charged to students or parents for processing the data needed to determine their eligibility for the Title IV programs. As such, the Education Department covers the costs for a major portion of the current operation and provides reimbursement to the selected Multiple Data Entry processors for a portion of their expenses. The remaining costs incurred by the national need analysis services to process additional data required by states or institutions for other programs or to provide additional services, such as training and technical assistance, are primarily paid for by application fees or from institutional or state reimbursements.

   The result is that the majority of students who file a comprehensive application enabling them to be considered for all forms of financial aid do pay a fee. This has become an emotional issue which needs to be resolved once and for all.

   The Task Force believes that the federal government has and should continue to have the primary responsibility for paying for the delivery system given the current statutory provisions. Institutional partners make substantial contributions in paying for tapes, rosters, and certain other ancillary services provided by MDEs. Because of budgetary constraints, the Department has increasingly been cutting back on certain services that are essential to the delivery system and appears to be unlikely to absorb more of the costs in the future. One alternative for consideration is the inclusion of a specific line

item appropriation specifically to support the integrated student aid delivery system, with Congressional direction regarding which services are to be provided by such funding.

In addition, while the Task Force believes that adequate protection must be provided to insure that low income students and families receive full services, many states and institutions indicate that they do not have resources to pay the costs for such services without assessing students. The Task Force realizes that some one has to pay the costs if there is to be a full service, effective delivery system, therefore, the Task Force believes this issue should be reexamined.

4. **Maintenance of an Integrated Delivery System which Clearly Identifies Funding Sources**. Members of Congress have expressed concern that many citizens do not fully understand that Title IV programs are federally funded. Because the campus-based programs are awarded by institutions and Stafford Loans are made by commercial lenders and guaranteed by designated state agencies, many recipients fail to realize that these are federally funded programs. While the higher education community works to ensure that the public understands the origination of federally funded programs, some misunderstanding of the federal role has affected public support for the programs, particularly within the budget and appropriations arenas. This has led some to call for a separate "federally-identified" system. The Task Force believes that this misunderstanding not only weakens the partnership concept, but that it stifles needed public support. Certainly there is a need to clearly identify the source of aid, particularly upon award, but this does not mean that application and other transactions with students and parents need to be segregated to identify the federal role.

As such, the Task Force believes that a consensus solution to address these concerns should be investigated and one which identifies the source of aid funds without separating the components of the delivery system. One solution discussed by the Task Force was to consider renaming the Title IV student aid programs by adding the words "United States" or "Federal" before each program, e.g., "United States Pell Grant Program" or "Federal Pell Grant Program." Such an identification might help to convey that these programs are primarily federal programs, separate and distinct from other state, institutional, or private aid programs.

5. **Establishment of Performance Criteria to Determine Required Levels of Regulatory Prescription.** The amount of required regulatory compliance within the student aid programs has doubled over the past 15 years. Much of it has been initiated to curb deficiencies, errors, or outright abuses at a limited number of institutions or agencies. The imposition of these requirements upon all institutions and agencies has greatly added to program management and administrative costs that have a negative impact on the delivery of aid to students. Many of these requirements are unnecessary and irrelevant for certain schools and agencies.

As such, the Task Force believes that consideration should be given to developing criteria which could be used to determine whether or not a particular regulation should be required of a given entity. For example, recently published regulations require extensive consumer information disclosure for vocational programs. The regulations are extensively prescriptive as to content and documentation. While the regulations are intended to improve accountability of educational programs in order to curb default costs, a large number of schools that have small loan volumes and low default rates are required to make major modifications unnecessarily.

Performance criteria, if developed and utilized, would be a more appropriate means of determining which schools should be affected by this type of requirement, as opposed to automatically imposing it upon all schools. A review of an institution's student retention rate of Title IV recipients would enable reasonable people to agree on whether this requirement should be mandatory for any given school. If the retention rate was low during the first term, then perhaps it is a reasonable requirement, but if not, it should not be imposed. By developing this type of approach, the Department and the Congress could distinguish between schools that are performing well and those that are not. This would prevent limited resources from being diverted from effective established practices.

Similarly, such an approach could be used to enable the Congress to direct specific program or policy issues to those institutions or agencies for which they are best suited. The needs and abilities of institutions and agencies vary widely, and as such, these differences should be recognized. While regional, state, or sectoral differences are often cited as possible criterion for making distinctions, these categories are often too broad and/or diverse to make appropriate divisions. Performance criteria, on the other hand, could be effectively utilized if properly developed. The Task Force believes that this issue must be carefully examined and resolved if the community hopes to obtain any reduction in regulatory or paperwork burdens in the next Reauthorization.

6. **Simplification of the Student Aid Application**. One of the most common criticisms voiced about the current delivery system is that the application forms are overly complex and confusing. Since the application forms are used by a wide variety of students with different family circumstances, who are applying for various programs, they necessarily include instructions and questions that are not related to all applicants. In addition, attempts to address the needs of specific populations such as dislocated workers and displaced homemakers through modifications to need analysis formulas have also contributed to complexity. Further, the forms have become encumbered with many required disclosure provisions imposed as enforcement mechanisms for other social programs or legislative initiatives. Students dependent upon federal student aid for access to postsecondary education must comply with these disclosures, while students fortunate enough not to be dependent upon student aid funds are exempt. The ultimate result is that the forms have become longer and, in addition, appear to be far more complex than they need to be. The Task Force believes that this issue should be addressed before the next Reauthorization. In addition, the Task Force believes that simplification efforts should not focus solely on the application form but should also address the goals of the student aid programs and the delivery mechanisms designed to achieve those goals.

7. **Development of a Single Application Form**. The Task Force believes that the critical issue is assuring that an individual student can file a single application for all sources of aid, rather than the development of one standard application form. If standardization can be achieved through a single application form which effectively meets the needs of all students, this would be a desirable goal. A single standardized form, however, that serves students poorly would not be an improvement.

Many parties have called for the development of a single application form that can be used by all students to apply for all forms of student assistance. While significant progress has been made toward this goal over the past 15 years, differences still exist. Most of these variations are due to state requirements or because of technological differences used in processing. The Task Force believes that the issue should be reviewed to determine if further standardization can be reached, and, where differences exist, facts gathered to better articulate the reasons for these differences. The primary

goal, however, is to insure that each student is able to complete a single application which best meets his or her needs to be considered for all aid sources.

8. **Examine Format and Frequency of Renewal Applications**. Currently students are required to complete and file a new application each award year. Since much of the data does not change, it has been proposed that a partially completed or shorter version of the form might be used for renewal purposes. Additionally, for certain kinds of families, particularly those with fixed incomes or whose primary source of income is public assistance, it seems unnecessary to collect all family income data every year. While the Task Force recognizes that much of the financial data will change from year to year for many middle and upper income families, the Task Force still believes that this issue should be reviewed to determine if a different approach might be used for all or at least a portion of the filing population.

9. **Review Ways and Means that Data are Released and Transmitted among Interested Parties**. As more and more institutions and agencies develop automated systems, it is becoming increasingly more important to transmit data by electronic means to speed exchange and to improve efficiency. One continual problem, however, is the requirement to have an "original" signature on certain forms. This impedes the use of automation for certain tasks.

   Another related issue is the current requirement that students "actively" give permission to have their data transmitted to their state agency or to the Department's processor. As such, about 2 to 3 percent of the students -- usually those who are in greatest need and least knowledgeable about how the system works -- fail to exercise the release permission when they initially file their application. This causes them delays and necessitates additional steps. While passive unauthorized release of confidential financial data could be a dangerous invasion of privacy, particularly to states and/or private donors, there is clearly less risk associated with automatically releasing such data to the federal government. The Task Force believes that these problems and issues should be examined and, if necessary, addressed in the law.

TECHNICAL UPDATE ISSUES

1. **Output Format and Frequency**. Currently, institutions receive data and computations resulting from student applications in a variety of formats. From the federal government's Central Processor, student output has been sent to institutions in the form of paper rosters or through magnetic tapes, while individual paper documents have been forwarded directly to students to be delivered to institutions. A limited number of institutions participating in the Pell Grant Electronic Data Exchange have also been able to receive student information through electronic means.

   From multiple data entry processors, output has been forwarded to institutions through paper rosters, diskettes, magnetic tape, and direct electronic exchange, in addition to individual paper documents. While paper documents generally seem to satisfy the needs of individual students, the format of the output desired by institutions and agencies varies widely. Schools and agencies that are highly automated clearly prefer to receive data through electronic means, but other schools are almost totally dependent upon paper documents. The current flow of information and the various formats that are used recognize the wide diversity that exists. However, these needs may change dramatically in the near future.

As currently proposed, the federal role in the 1990-91 delivery system will support roster and tape transmission of student output, but makes no provision for direct communication to institutions through individualized paper documents on each student or on diskettes. Multiple data entry processors are likely to continue distribution of individual student output documents to institutions. Because direct individual paper documents are critical at some types of institutions, the Task Force believes that the federal government should provide for this type of communication within its system.

Further, some have expressed concern about the federal distribution of rosters and tapes, fearing that they may be somewhat less frequent than that of the multiple data entry processors. This issue, however, seems to have diminished with reassurances from the Department that the frequency will be greater than it has been in the past, and according to a schedule defined by the institutions. The bigger concern, however, is the lack of individual paper documents mentioned earlier. Even if the student's full record is provided on the federal rosters or tapes, many schools still depend upon individual student reports within their operations. As such, these institutions are concerned that they will become much more dependent upon the students to deliver the individual paper documents to them which they need to handle the student data in a timely and efficient manner.

2. Number of Institutions Listed on Application Form. Through the application form, a student indicates the institutions to which output calculations will be sent. The number of institutions a student may list on the application varies depending on whether the student completes the Application for Federal Student Aid (AFSA) or an application provided by one of the multiple data entry processors. In recent years, students have been allowed to list only one school on the AFSA; for the 1990-91 award year, that number has been expanded to two schools. On multiple data entry forms, students may list more institutions if they choose. For example, on ACT's current application, a student may list up to four institutions, and on CSS's application form, up to eight.

While on a national average most students only list 1.6 schools, this limitation on the AFSA is a particular problem for entering and transferring students who use this form. Prospective students often apply for financial aid prior to knowing whether or not they will be admitted to a given school. In addition, many of these students are also interested in knowing which institution will provide them with the most appropriate financial aid package. By limiting the number of institutions on the federal core application to which a student may originally apply, the federal government has somewhat inhibited students' ability to easily apply to more than two institutions. While the Education Department has imposed this limitation on the basis of cost, the Task Force believes that the number of schools a student is permitted to list should not be limited to two.

NEED ANALYSIS

OVERVIEW

Since the mid-1950s, the administration of need-based student assistance has been predicated above all on an assumption that financing higher education starts with the family. First, this has meant that parents have the primary responsibility, to the extent of their financial ability, to pay for the postsecondary education of their children, at least through the traditional undergraduate years. Second, it has meant that students themselves should make a contribution from their own earnings and assets, since they are the primary beneficiaries of such an education.

Three decades later, demographic trends have greatly complicated the philosophy and practice of need analysis for student aid. For the great majority of undergraduate students under age 24, the broad assumption of parental responsibility remains completely valid. But the structure of the American family has shifted, so that the traditional two-parent family is less often the norm. Many students now reside in single-parent households or with a natural parent and a stepparent. Still others reside with a grandparent or other relative or guardian. These varied family patterns often confound the determination of who should pay for postsecondary education.

Moreover, an increasing proportion of postsecondary enrollees are beyond traditional college age. Many students are stretching out their education, alternating periods of work and education, and more adults are returning to higher education for a "second chance" or retraining and mid-career change. Older students come from a variety of life situations, often attend less than full-time, and typically are coping with work and family responsibilities while in school.

The entire methodology of need analysis must be reviewed in light of all of these shifts. A principal challenge of the reauthorization process will be to increase the fairness and consistency of criteria used for: (1) determining which students should be considered for aid strictly on the basis of their own resources; and, (2) determining how much the student and the student's family should be expected to contribute.

The Higher Education Amendments of 1986 and subsequent Technical Amendments Act of 1987 made a number of significant changes to the methodologies used to calculate a family's ability to pay for postsecondary education for both the Pell Grant Program and the other Title IV student assistance programs (SEOG, CWS, Perkins, and Stafford Loans). For the first time, Congress elected to codify into the law the formulas used to calculate financial need. In addition, Congress also defined in the statute the definition of an independent student, cost of attendance, and other elements used in the formulas.

While most elements and procedures utilized in the Pell Grant Program were already generally defined in the law, the 1986 Reauthorization added a new level of specificity. Further, the Uniform Methodology, previously used to determine eligibility for the other Title IV programs and which historically had been developed, monitored, and updated by the community, was modified and for the first time enacted into law in its entirety.

While the new "Congressional Methodology" assumed most of the principles, elements, and procedures previously contained in the Uniform Methodology, several significant changes, both intentional and inadvertent, were put into effect. Among the most significant of these changes are: (1) the change from the use of estimated year income for dependent and independent students to use of base-year income; (2) the separation of independent student formulas into those with dependents and those without; (3) liberalization in the treatment of independent students with dependents; (4) the inclusion of specific treatment for displaced homemakers and dislocated workers: (5) the inclusion of a simplified needs test for those families with income below $15,000; and, (6) specific authority granted to financial aid administrators to make professional judgment decisions.

Overall, the reactions to these changes have been mixed. While many people in the community believe that a number of the changes have helped certain categories of students, some would argue that this has occurred at the expense of other students. Other questions regarding fairness and equity have also been raised.

As such, a number of key issues have been identified as appropriate topics for review and possible modification during the next Reauthorization. These topics are included in the broad policy issue category. In addition, there is general agreement regarding some proposals to refine, correct, and clarify the existing statutory need analysis formulas. These items are

identified under the technical update issues category, and may be resolved before Reauthorization occurs. Nevertheless, the Task Force has included them in this report in the event that they are not enacted before that time or that Congress decides not to address the broader policy issues.

BROAD POLICY ISSUES

1. **Relationship Between Dependent and Independent Student Models**. As has previously been noted, changes adopted in 1986 generally provided more favorable treatment to independent students and in particular, to those with dependents. There is evidence to suggest that the percentage of dollars going to independent students has increased significantly, with little or an actual decline in the dollars going to dependent students. Further, concerns have been raised in some quarters about the equity of the current assessment system, particularly with regard to the parents of dependent students. It is now appropriate to examine the relationship between the need analysis system and actual parental ability to pay.

   The Task Force believes that the formulas for both the dependent and independent student models (including differences between independent students with children and those without) should be carefully reviewed. This review should include as a minimum a careful analysis of the family size offsets, the standard maintenance allowances, possible adjustments for regional cost-of-living differences, and the current taxation rates. Once the review has been completed, along with simulations, adjustments can be made which will help to ensure that we are producing realistic expectations for all categories of students.

2. **Definition of Independent Students.** Efforts were made during the 1986 Reauthorization to redefine the independent student definition to insure that the categories identified more closely approximate current public opinion on responsibility to pay for postsecondary education and that all of the components were readily verifiable. While most people believe that the definition was strengthened through this process, there is still concern about some variables and some categories, particularly the single independent student under age 24 who must demonstrate resources at a specified level to qualify as independent. The problems and suggested remedies are outlined in item 1 of the "Technical Update Issues." The Task Force believes that these issues as well as the appropriateness of the $4,000 resource figure must be re-evaluated. Also, because the majority of students qualify as self-supporting based on age or one of the other automatic criterion, the Task Force believes that the definition should be revised to include only the automatic criteria and professional judgment of the aid administrator as a means of achieving significant simplification in the definition and the application forms.

3. **Use of Base-Year vs. Estimated-Year Income for Dependent and Independent Students**. The current Congressional Methodology and Pell Grant formulas utilize base-year income information to determine the students' contribution during the award year. Congress adopted the use of base-year income because this amount can be verified by reviewing a student's prior year income tax form. Therefore, they believed that this figure would be more reliable than the historical approach used in the Uniform Methodology of allowing students to estimate the income they expected to have available during the first calendar year of the award year. While such a treatment may be a fairly reliable predictor for some students, such as third year continuing students, it is generally irrelevant for entering and re-entering independent students, especially graduate students. Their working patterns in the past calendar year may

especially graduate students. Their working patterns in the past calendar year may differ significantly once they enter postsecondary education, and will not serve well as a predictor of what resources they will have during the school year. The use of base-year income is also problematic in computing the contribution from earnings of dependent students since they may have jobs prior to enrollment which they cannot continue while enrolled in a postsecondary institution. Base-year is a more appropriate predictor for the income of dependent students' parents whose income will be more likely to continue at the same level while the student is in school.

If base-year data continues to be used in computing expected family contributions (EFCs) under both the Pell Grant and Congressional methodologies because it makes validation of income possible, careful review is needed of the high tax rates applied for the first year of students' postsecondary education program to the income of single independent students, and the income of dependent students (as opposed to their parents' income). This review is needed to evaluate whether categories of student that Congress believes should be eligible are being excluded from Pell Grant and Stafford Loan eligibility.

Careful evaluation is also needed to determine if base-year income is equally appropriate for both the Pell Grant and Congressional methodologies.

Throughout its history, the Pell Grant Program has required that single independent students be extremely low-income prior to postsecondary enrollment, and a documented self-help contribution has not been required in recognition of the minimal financial resources of these students. Thus, base-year income may be appropriate to document that these students have a history of low income in order to qualify for grant support. The same logic would not apply to the income of dependent students, since the income of students from low-income families is often used to support other family members, and the use of base-year income, coupled with high taxation rates, for dependent student income should be reevaluated.

The question is whether Congress wants the same standard to apply to eligibility for the campus-based and Stafford Loan programs. If the goal is to provide subsidized self-help assistance to single independent students who may temporarily be without income while enrolled in undergraduate or graduate/professional programs, then the combination of high tax rates and base-year income may be excluding students in their first year whom Congress wants to be eligible.

The Task Force believes that the issue should be re-examined to find a more equitable solution.

4. **Treatment and/or Inclusion of Assets**. The inclusion and treatment of a family's assets in the calculation of its ability to pay for postsecondary education costs has long been a topic of discussion and debate. In the current need analysis theory, assets are viewed as an additional indicator of a family's financial strength. In other words, given two families of equal annual income but significantly different asset holdings, the family with the larger asset accumulation is viewed as able to contribute proportionately more to a student's educational costs. In addition, the need analysis system has always accepted families in their current economic condition and avoided passing judgment, through its calculations, on the factors that contributed to that outcome. For families without assets, whether through extravagance or disaster, need analysis has avoided holding the student responsible for the consequences of decisions or circumstances over which he or she had no control.

Some observers, however, perceive that the system, in its treatment of assets, discriminates against those who have diligently saved in favor of those who could have but chose not to do so. Others argue that the system, by taxing savings and assets, actually discourages families from saving, even though the formulas only expect approximately 2.6 percent to 5.6 percent of a family's net assets as a direct contribution. In spite of the modest assessment of assets, the greatest amount of emotion on this topic occurs among individuals who believe that the formulas are unfair with regard to non-liquid assets, of which home equity is the principal component. As American families increasingly focus much of their savings in their homes, concern about this topic continues to rise. Other factors, in particular the growth of ``off book" assets like private pensions and profit-sharing plans, have focused attention on the difficulty of evaluating and equitably assessing the full range of each family's assets. For these reasons, therefore, the Task Force recommends that this topic be carefully studied in hopes of evaluating equity in the system and also its acceptance by the public at large.

5. **Assurance of Consistency in Use of Professional Judgment**. While the authority to make individual decisions on ability to pay based on unique circumstances has long been part of the application of need analysis, the Higher Education Amendments of 1986 codified this authority into the law. This authority can be used to make appropriate adjustments which in turn may increase or decrease an individual student's eligibility for Title IV aid. Therefore, it is important that this use of professional judgment be applied consistently and fairly among like students at eligible institutions. The Task Force, therefore, believes that to the degree possible, community-developed standards similar to those that have already been produced by NASFAA should be referenced in the statute or in report language to provide this assurance of consistency. Further, the Task Force believes that resources must be made available to ensure that financial aid administrators receive appropriate training to carry out this authority and to properly manage the financial aid programs.

6. **Need for a Simplified Need Analysis Model**. The Higher Education Amendments of 1986 established a Simplified Needs Test (SNT) for families with incomes of less than $15,000. Evidence has shown that the existing SNT actually produces a higher expected family contribution for certain categories of families than would result from them being analyzed using the regular formula. As such, the SNT may actually be penalizing these families.

   In addition, there is strong sentiment that all of the need analysis formulas are overly complex and should be simplified. The Task Force believes that these issues should be carefully studied and that, to the extent possible, progress toward simplification should be a high priority in the next round of Reauthorization. If, in fact, significant progress could be made toward simplification, the need for the SNT may be reduced or eliminated. However, at a minimum, the Task Force believes that for certain categories of families, particularly those whose primary source of income is from some form of public assistance, serious study should be undertaken to ascertain whether or not it is even necessary for such families to undergo a separate financial needs test for Title IV funding.

7. **Development of One Need Analysis for All Title IV Programs**. Currently, the statute contains separate need analysis formulas for the Pell Grant and other Title IV student assistance programs. While there are some significant differences, the current formulas have far more similarities in procedure and treatment of data. As such, the Task Force believes the possibility of moving to one single need analysis formula for use

with all Title IV programs should be examined. If this could be accomplished, it would help to simplify the process and make it easier to explain to students and parents. In order to maintain equity and control costs, such a task would have to be done very carefully. Still, the Task Force believes that the outcome from the formula might be used in different ways to determine award amounts for the various programs, while still using a single methodology to determine that result. Further study would help to determine whether this is possible.

8. **Use of Adjusted Gross Income (AGI) vs. Total Income**. For years there has been debate over whether AGI is the most appropriate figure to use in determining a family's ability to pay. People who are able to reduce their income through allowable write-offs and deductions for IRS purposes often appear to be in a similar economic position as those with far less income. While the Tax Reform Act of 1986 has generally eliminated many of these provisions, there is concern about whether AGI is the best income measurement for certain categories of families. The Task Force believes that this issue should be reviewed to ensure equitable treatment for all families.

9. **Distribution of Parental Contribution Among Dependents with Varying Enrollment Levels**. Questions have been raised as to the fairness of only allocating the parental contribution among family members who are enrolled half-time or more, when in fact, one or more of those family members may be pursuing postsecondary education on a less than half-time basis. The Task Force believes that perhaps this issue should be addressed in the broader context of how to determine eligibility for less than half-time students. In addition, as noted in the technical update issues, the Task Force believes the treatment of parents enrolled in postsecondary education in the family contribution calculation should be re-examined.

10. **Development of One Cost of Attendance for All Title IV Programs**. Currently, the statute contains separate cost of attendance structures for the Pell Grant and other Title IV programs. There are significant differences in the components and the allowances included in each cost of attendance category, primarily due to efforts to control expenditures of the Pell Grant Program. While there is certainly good reason to utilize program cost controls in the Pell Grant Program, the fact remains that it is very difficult to explain the wide variances in allowable costs to students and parents. Therefore, the Task Force believes that we should strive for a single cost of attendance structure which would take into account real educational costs in defined categories, that may differ widely among types of institutions and types or categories of students, while still developing a reasonable and fairly representative cost of attendance structure for all Title IV programs. The solution will have to allow for sensitivity and the ability to address unique circumstances. It should also be structured so as to avoid ease of political manipulation for all parties. Budgetary implications and effects upon eligibility and funding demand will certainly have to be considered, particularly for the Pell Grant Program. However, the Task Force believes that needed and appropriate controls might be exercised through the payment mechanism for the Pell Grant Program to address, in part, the cost issue.

TECHNICAL UPDATE ISSUES

1. **Independent Student Definition**. A number of problems have come to light as a result of the implementation of the current independent student definition. These include: (1) the rolling nature of the years for which single undergraduate students under age 23 must demonstrate $4,000 in resources; (2) the insignificant number of married and graduate/professional students who will be claimed by parents or guardian;

level. Current Senate legislation to address these problems recommends that: (1) the resource years be aligned with the tax exemption years for single undergraduate students under age 23; (2) all graduate/professional and married students be made automatically independent, without requiring that they not be claimed; and, (3) previous independent students be grandfathered and that the $4,000 resource test exclude student financial aid funds. While the Task Force believes that these modifications would clarify the current definition somewhat, and as such, provide a short term improvement, there is also agreement that the definition needs to be changed once and for all as proposed in item 2 in the "Broad Policy Issues." If the issue is only partially addressed as currently proposed in the Senate's technical bill, we will not have a complete solution until the Reauthorization process is concluded. Rather than partially fixing the definition now and revisiting it again later, a more desirable solution would be to gather the existing data which illustrate the deficiencies in both the current and proposed Senate-modified definitions, and then simply adopt automatic criteria along with allowable professional judgment by the aid administrator.

2. **Treatment of Veteran's Administration Educational Benefits**. The current Pell Grant and Congressional Methodology formulas not only differ in the types of benefits which are considered, but also in the manner in which they are treated and collected. It is recommended that all VA educational benefits be included and consistently treated as a benefit in the calculation of expected family contributions under both formulas.

3. **Multiple Family Members in Postsecondary Education**. The current Pell Grant and Congressional Methodology formulas permit any family member enrolled at least half-time to be included in the number in postsecondary education for purposes of calculating the expected family contribution. It is recommended that to be included in this number, such family members must also be enrolled in a degree or certificate program. It should be noted that several of the Task Force members suggested that it is inappropriate to include parents in this part of the formula. Instead, they would prefer to treat them separately by only considering those educational expenses directly related to their postsecondary attendance. As such, this concept should be examined as part of numbers 1 and 9 of the "Broad Policy Issues."

4. **Taxation of Dependent Student Earnings**. In the Congressional Methodology formula, the earnings of dependent students are taxed at a rate of 70 percent. Current Senate legislation recommends that this assessment be modified to not less than 50 percent. Again, the Task Force sees this solution as only a short term answer. The problem focuses on the most accurate data to use in predicting dependent student income during the academic year. Other approaches which would provide for more sensitivity particularly for entering students therefore should be addressed as a broader policy issue rather than trying to develop a short term solution.

5. **Double Counting of Base-Year Income in Asset Computations**. The current Congressional Methodology and Pell Grant formulas assess base-year income, therefore, if a student works and saves a portion of these earnings, the student's earnings could be assessed twice, in both the income calculation and the asset calculation. The Task Force recommends that the problem be studied and that this double-counting be eliminated.

6. **Determination of Special Categories for Professional Judgment Decisions.** The current formulas provide for special handling for specific categories of students and families, such as dislocated workers and displaced homemakers. It is recommended that special treatment for these categories be accomplished through professional judgment

special treatment for these categories be accomplished through professional judgment authority rather than through alternate calculations and data collection which add complexity to the process for all students.

Two additional issues relate to the treatment of negative parental contributions and the treatment of employer reimbursement for educational expenses. The Task Force has not developed specific recommendations for these issues.

II

TASK FORCE
on
LOW-INCOME STUDENTS

Chair:
Edward Elmendorf, Vice President for Governmental Relations
American Association of State Colleges and Universities

LOW-INCOME AND MINORITY STUDENTS ARE BEING DENIED EDUCATIONAL ACCESS BECAUSE OF THE PRESENT IMBALANCE OF LOANS AND GRANTS.

Restoring a balance in the present mix of grant to loan funds especially for low-income "at-risk" students is a mutually agreed upon objective for legislative recommendations.

QUESTIONS TO CONSIDER:

1. What restrictions on lending should be explored?

2. What maximum award levels for Pell Grants or related grants are needed?

3. Is the Pell program intended to be used to provide choice as well as access?

4. Is attempting to keep low tuition still considered an effective means of increasing access for low-income students?

5. What restrictions on cost-of-attendance need to be explored so as to maintain the distribution of funds to low-income students?

6. What changes in the definition of postsecondary education should be explored? Should there be separate programs for higher education and postsecondary or its alias?

7. What changes in program eligibility criteria are needed to effectively reach pre-college, college, and graduate-level low-income populations?

RECOMMENDATIONS:

1. Low tuition is still considered an effective means of increasing access for low-income students; it should be maintained at the lowest level possible by those with the authority to set tuition and tuition policy.

2. All means possible should be examined to restore a balance in the present disproportionate mix of grant to loan funds in students' financial aid packages, especially for low-income "at-risk" students.

3. Increased maximum award levels for Pell Grants or related grants should be pursued as a legislative funding target in conjunction with any restrictions on lending and borrowing, i.e., loan amounts curtailed or eliminated should be replaced using increased Pell caps, changes in the cost of attendance allowances, or other such mechanisms.

4. Some task force members felt that consideration should be given to a "step-down" model for replacing loans with grant aid beginning in the first academic year, when students are most at risk, and continuing through the academic cycle as students become less of a risk and more successful. Under this model, decreasing grant aid and increasing loan aid would be phased in on a schedule, with income levels and other known sources of aid as partial determinants of award levels and the balance between grant and loan aid. For each academic period of study, grant aid would be further phased down and loan aid would be increased.

   In constructing such a model, student performance, retention and completion criteria could be used as incentives for continuing to receive the "step-down" schedule to demonstrate that success is not penalized, but rewarded for those who benefit from the taxpayer investment of grant and loan funds.

   To make such a model less vulnerable to pricing fluctuations by institutions, it would be necessary to set an "allowable" base-year tuition for indexing postsecondary price increases which could be counted as part of the cost-of-attendance calculations allowed under the Pell program, especially if substantial increases in the Pell cap are enacted by the Congress. Computer simulations should be done to estimate the cost and the extent to which default and loan cost savings can be used to offset the grant cost in the first and second years of an academic cycle.

5. To encourage the participation by low-income students in the eligibility process for needs assessment, the present needs analysis formulas should be simplified, and serious consideration should be given to the development of a single needs analysis to accommodate Pell Grants and other Title IV student assistance programs. It has been demonstrated in several research studies focusing on the role played by the present needs analysis systems that low-income students are unnecessarily thwarted by the present bifurcated application process and choose not to pursue postsecondary education as a result of this barrier.

6. To implement any new model for allocation of grant and other Title IV funds, the present definition of independent student must be revised to include the truly independent, self supporting students under age 23. Automatic criteria and professional aid administrator judgment should be binding when applied to student aid applications from independent students and others who demonstrate special or unique circumstances.

7. Changes in the present institutional definition of postsecondary education to distinguish between the collegiate and proprietary sectors, such as the creation of separate programs or differential standards, should only be considered with substantial justification that such changes are necessary to improve the effectiveness of programs serving needy students. This does not imply that a single program is the best or only means to serve low-income students.

8. Changes in Title IV institutional and student eligibility criteria should be examined if such changes would result in improving access, choice and retention and more effectively reaching pre-college, college, and graduate level low-income populations.

9. Legislative changes should reinforce the TRIAD principle of (1) state licensure or authorization, (2) voluntary accreditation approval, and (3) federal program eligibility regulations, in order to ensure proper institutional practices; further, legislation should enhance coordination among the three oversight entities and clearly recognize the responsibilities of each entity. Failure to comply with established and approved policies and practices should result in funding and eligibility restrictions sufficient to discourage abusive practices by institutions, agencies, students or other recipients of federal funds without jeopardizing access to educational opportunity for low-income students.

AT-RISK PRE-COLLEGE STUDENTS ARE BEING DENIED EDUCATIONAL OPPORTUNITY TO POSTSECONDARY EDUCATION.

An objective of student aid funding programs should be to create new and thoughtful ways of reaching the low-income population, learners of all ages and, especially, "at-risk" pre-college, junior and senior high school students using advising, counseling, financial aid information, career planning, and other forms of early outreach.

QUESTIONS TO CONSIDER:

1. What type of commitment can be given to encourage vulnerable and "at-risk" youth to believe that college is possible and that funding will be available if they pursue high school and graduate?

2. What role should student aid funding play in helping to improve the quality of K-12 while expanding access to higher education?

3. What linkages could there be among voluntary service programs, student aid commitments to pre-college students, and the unmet needs of our youth who leave education before graduating?

RECOMMENDATIONS:

1. New intervention and assessment models and methods are critically needed to address the severe problems of "at-risk" students. Beyond improving the home environment, mentoring, building self-esteem and a positive attitude for learning and success which are clearly influential in providing educational opportunity, we know that financial incentives are among the best ways to show students and their parents that postsecondary education is possible.

2. New federal, state, and community financial commitments should be given to elementary and secondary students to encourage the most vulnerable and "at-risk" learners to understand that attending college is possible and that opportunity to receive financial assistance to fund that education is indeed possible if they pursue high school and graduate.

3. Funding must be expanded to reach the underserved populations by expanding programs known to work such as TRIO (Talent Search, Educational Opportunity Centers, and Upward Bound); the leveraging of federal funding with state and community funds should be built into new federal funding as it is for the SSIG program and earmarked to be applied to early awareness, assessment and intervention activities for the "at-risk" student.

4. Federal programs such as FIPSE should be expanded and funding significantly increased to encourage new assessment and intervention programs, and to find new ways for assessing outcomes of early awareness interventions and track what works to make "at-risk" students more successful.

5. Personal advising, counseling, financial aid information, and career planning efforts by schools, parents, colleges, communities, and volunteers must be dramatically changed and tailored to reach students and parents where they are; programs to utilize human resources (teachers, counselors and parents in efforts such as Parents and Counselors Together [PACT] must be created and funded to accomplish the goals of reducing dropouts, increasing minority completion rates, and increasing the likelihood of access to postsecondary education for many who would otherwise be excluded from the dream of a college education.

6. Partnerships linking educators, communities, private sector leaders, and government must be stimulated by our nation's leaders to mobilize the human resources necessary to tackle the problems of high drop out, lliteracy, and basic skills acquisition; creating linkages between the many voluntary service programs (extant and planned), using voluntary human resources in and out of the pre-college school systems, and appropriating start-up funding, will allow the partnership approach to deliver a tremendous resource to maximize opportunities for the greatest number of "at-risk" students.

7. Examine existing individual and family financial eligibility criteria now being used by states as a legitimate test for early eligibility to both state and federal programs; use these guides and other known financial assessment tools to provide students and parents with information about their chances of meeting the cost of college and ways it can be financed; begin the financial planning process for "at-risk" students while in junior or senior high school and continue this planning through the college application process.

8. A specific recommendation worthy of further discussion is to provide "pre-college assessment" of eligibility for student aid to junior and senior high school students at the time they most need to know their chances of surmounting perceived cost barriers to their pursuit of postsecondary educational opportunity.

9. A pre-college "limited entitlement" should be given to the most "at-risk" based on extant student or family needs' assessment tools (IRS Tax Filing, AFDC, SSI, food stamps, research informed comparisons of income level change rates between high school matriculation and college application, etc.) and not likely to change dramatically for those who continue into postsecondary education and file the required student financial aid application.

   Questions to stimulate deeper discussion on this recommendation might address:

   (1) How detailed the assessment can or should be;

   (2) Whether the assessment should result in a "guarantee/entitlement" of financial assistance or an "estimate" of what will be needed when the student enrolls in a postsecondary institution;

   (3) Whether family or individual income and needs are likely to change dramatically before college;

(4) Find the most effective way to communicate assessment and eligibility information to parents and students so as to make a difference in their perceived access to and choice of a postsecondary education.

BETTER COORDINATION OF RESOURCES IS NEEDED TO IMPROVE ACCESS TO EDUCATIONAL OPPORTUNITY.

Consider program changes or enhancements which promote consolidation of federal/state/private sector/institutional sources in a way to address access, retention, and choice goals. Use diverse and resourceful leveraging mechanisms such as SSIG, JTPA, technical preparation legislation, and others.

QUESTIONS TO CONSIDER:

1. How are states now using their welfare, unemployment, maintenance fund pools and how could these funds be partially allocated to education and training priorities?

2. What leveraging and incentive strategies have worked in the past and what might work now with the student aid programs using early identification and funding of low-income students?

3. Could federal policy be used to influence state, private sector and institutional student aid policies?

4. Is it feasible to consider a surtax on college graduates as a way to promote retention and help pay costs for education? It could be linked to loan forgiveness or repayment provisions.

RECOMMENDATIONS:

Eliminating barriers to postsecondary educational opportunity is a first step with and without legislative changes. Example of ways barriers may be reduced:

1. Make it state policy that unemployment beneficiaries can continue to received unemployment benefits during the period these beneficiaries are receiving education and training unless the state demonstrates that such training is not satisfactory for the individual.

2. Consider postsecondary education to be an allowable training activity under the Family Support Act and require states to consider such allowable training as long as satisfactory progress is being made in college and the course of study is consistent with the individual's career goals.

3. Do not count student financial assistance as personal income when determining an individual's eligibility for welfare or food stamps.

4. Create legislative programs and funding to serve as an incentive for institutions to create or expand child care facilities on or near college campuses and fund existing Title IV, Part A, Subpart 8 "Special Child Care Services for Disadvantaged College Students."

5. Evaluate the effectiveness of diverse settings for training to be most successful including but not limited to libraries, trade schools, colleges and universities; measure such training by criteria such as long-term educational attainment and not just by short-term employment as is the case with programs such as JTPA.

6. Permanently allow and encourage employer-paid educational benefits under the tax code and do not count these benefits as personal income for tax purposes.

7. Reinstate aid to part-time students in the Pell Grant program and assure that part-time students receive a "reasonable proportion" of campus-based federal student aid based on a definition of "reasonable proportion" encompassed in legislation.

8. Adopt changes in the needs analysis systems employed by the Pell Grant and campus-based aid programs that recognize the full range of family financial responsibilities faced by low-income learners of all ages, as well as the need to assure financial aid officer discretion in the assessment of such students' aid eligibility.

9. Default should not be triggered prematurely for borrowers who are likely to repay their loans when they are fully employed and can afford the monthly loan payments. As a result, all borrowers should be informed by the time they would enter repayment of legal options for deferral or forbearance in making repayment. Specifically, continued attendance at an institution of higher education on a less-than-half-time basis should be an allowable criterion for granting deferral or forbearance.

GROWING NEGATIVE PERCEPTIONS ABOUT STUDENT AID

Investment by the taxpayer in student financial aid has not been successfully measured in ways that adding new funding would be viewed as the best investment taxpayers could make and Congress should support.

QUESTIONS TO CONSIDER:

1. Is there research available or underway which equates today's student aid funds invested to payoffs from this investment such as was done when the GI Bill and taxes paid by recipients were linked?

2. Are there research informed findings which make clear the negative impact to America's well being had student aid funding not been invested when it was and at the level it was?

Background Statement--Negative Perceptions:

Concern having been voiced in a number of quarters over what is perceived as a "problem" confronting the student aid programs, it would seem appropriate for the higher education community to sum up its views on the basic purposes of Title IV, and the considerations which should govern decisions with regard both to reauthorization and to annual funding.

The Higher Education Act of 1965, and its key amendments in 1972 became law in a clearly understood effort on the part of the Congress not just to increase the number of students in postsecondary education, but to broaden the mix--to make it possible for people who were not like the people then in college to get there. The central purpose of these two Acts of Congress were to change the mix on campus from one which was largely male, almost wholly white, virtually exclusively middle-class, overwhelmingly in the 18-22 year old age group and just out of high school, to one which was none of the above. The goal was a higher education system

which catered to all races, both sexes, all socio-economic levels, and all ages. And the principal federal device for the achievement of these ends was the easing of the financial barriers to the hitherto excluded groups--who become known as "non-traditional students".

Fundamental to that task, the federal student aid theory explicitly adhered to by legislators, administrators, and educators is the proposition that aid follows need.

That federal policy has largely succeeded. The changing nature of the student population is an expression of that success. The "non-traditional student" is not a problem-it is a victory!

The collegiate sectors of higher education should not confuse types of institutions (proprietary) which do replicate their exact standards with the types of students who have chosen to enroll in the non-collegiate sector. If we are prepared to seriously consider separate programs or different rules for schools who make a profit, the decision should be based on substantial evidence in hand that such changes can be justified as necessary to improve the effectiveness of programs serving low-income students.

It would be a mistake for the collegiate sector to base a challenge to the legitimacy of proprietary institutions on the kinds of students served or enrolled. If we believe those students are being exploited by those schools, then it is all the more incumbent on us to see that those students are attracted to and served by quality institutions and programs.

RECOMMENDATIONS:

1. Begin the introduction of Title IV of the Higher Education Act with new language which states the goals, purposes and application of student financial aid so as to signify its value added as well as its utilitarian value as a taxpayer investment worth supporting.

2. Begin now to use research and solid evidence of success by higher educational institutions in tailoring their admissions, curriculum, teaching, and quality to keep ahead of the rapidly changing human conditions of the nation's population. Unlike so many other countries and more bureaucratic institutions, our nation's institutions of higher eduction have demonstrated innovation, flexibility, and accommodation in taking students where they are and helping make successful those who enroll. We now need to inform the citizenry and policy makers who make decisions that affect the future destiny of our institutions, students, and nation.

NEW PELL GRANT FUNDING ALTERNATIVES NEED TO BE EXAMINED AND THE PELL GRANT MAXIMUM AWARD NEEDS TO BE INCREASED.

Pricing policies at the state and institutional level affect access for low-income students; creative mechanisms have been developed especially at the state level to "fix" future prices using tuition plans. What alternative pricing policies, student aid alternatives, and financial incentives should be considered to increase participation in postsecondary education by low-income students?

QUESTIONS TO CONSIDER:

1. Will pricing increases continue based on a market approach or will accountability factors such as performance, retention, and placement measures be injected into the pricing decisions by states and institutions? Will this performance based thinking influence or change the distribution of federal, state, and institutional student aid as a result?

2. Is a medical model based on reimbursement and cost controls one which higher education should consider to control its pricing increases?

3. Is it feasible to set an "allowable" base-year tuition for indexing postsecondary price increases? This "allowable" indexed tuition would only be counted as it relates to the cost of attendance calculations allowed under the Pell program and used if substantial increases in the Pell cap were determined by the Congress.

4. Is it feasible to consider a revised Pell Grant allocation formula based on living and other "real costs of education" that all students experience regardless of the type of institution they attend?

Background Statement--Tuition Pricing and Cost:

Access to higher education is placed in real danger when federal support is eroded and state support is reduced at the same time; public institutions, governing boards, and legislatures are forced to plug the gap between increasing costs and state or federal funding. Prices (tuition, fees, room and board) escalate and the perception of the student is one of costs greater than can be met. One recent study on tuition cited that the rate of increase in college tuition has not come down as fast as did that of the CPI. It was concluded that tuition, over which institution have some control, was increased beyond the CPI rate to cover shortfalls in non-tuition revenues which did not keep up with costs. It was found that the federal student grant programs would have to be virtually twice the level they are today to reach the same level of purchasing power they had in 1980-81. The result is that substantial increases in prices have been necessitated and continue to act as a barrier to low-income students especially minorities, low-income, and students looking to be the first in their families to ever attend college.

Research findings in one other recent study on the link between rising prices and student financial aid offsets show quite clearly that higher education is not using federal student aid as a lever to push higher college costs. The largest federal grant program (Pell) increases only about one percent for every ten percent increase in cost. The largest federal loan program (Stafford) now funds one-half of the students at the maximum amount; these students would receive nothing more if prices increase unless the maximum loan amount increases too. The sensitivity of the Stafford loan program to price increase is greater than the Pell Grant program but for the one-half of the students not at the maximum award level, a price increase of ten percent might result in a five percent change in borrowing. There is no correlation between the federally funded campus based (CWS, SEOG, and PERKINS LOAN) programs and changes in higher education cost. It was concluded in this study that a ten percent change in college charges results in about a two percent change in aid available.

College Board, citing a pattern of change in distribution of student aid in its "Trends in Student Aid: 1980 to 1989," has shown that Pell (16.7 percent) and Guaranteed Loans (44.5 percent) now account for over 60 percent of student aid in current dollars while institutionally awarded aid has grown to nearly 20 percent.

RECOMMENDATIONS:

A revised allocation formula could be considered for the distribution of grant aid based, for example, on the following considerations:

1. The Pell Grant maximum award should be based on "basic education cost," i.e., a minimum tuition level set at the average four-year public tuition plus basic living

expenses. For example, average living costs might be $2300 while tuition would be $1700 as adjusted against a proposed maximum Pell Grant award level of $4800. As the Pell maximum was increased, tuition would increase at the cost of living rate, and living costs would rise to a level closer to the actual or true living costs and then continue at the cost of living rate. The step-down funding formula suggested on page 16 could be used by supplementing Pell Grant funding for tuition and living costs, up to the maximum allowable award level, from other Title IV funds except for loans which would be restricted for the first-year students. Consideration might be given to a model which included some or all of the following examples:

(1) Living costs could include three distinct approved levels: (1) on campus, (2) off-campus at home, and (3) off-campus in the community;

(2) Tuition costs allowed and applied after living costs have been considered could be the actual base-year four year, public college tuition of approximately ($1700) up to a tuition of $2500 weighed against a maximum Pell Grant of $4800 but in no case more than the cost of education less family or students contribution;

(3) The two allowable amounts in the illustration above, could be adjusted for other components such as length of program or other elements considered important.

2. The Pell Grant maximum should be adjusted annually to reflect changes in the cost of living or some other mutually agreeable adjustable index.

3. As early as the seventh or eighth grade, students from very low-income backgrounds as determined by their receipt of AFDC, food stamps, etc., benefits for a prolonged period of time, should be declared eligible for the maximum Pell Grant when they are ready to enroll in college.

4. This early eligibility determination should also be used to identify students with high priority to receive support service programs such as Upward Bound, Student Special Services, and EOC services. Funding for support service programs at the college level should be based , in large measure, on the number of disadvantaged students at the institution where they enroll.

III

TASK FORCE
on
MIDDLE-INCOME STUDENTS

Chair:
Julianne Still Thrift, Executive Vice President
National Association of Independent Colleges and Universities

INTRODUCTION

There are a variety of reasons why the current student aid programs do not serve America's working poor and lower-middle-class well, or serve the middle-class much at all. Two reasons are most obvious: Funding of the current programs has not kept pace with the rate of inflation or the extraordinary increase in the number of students entering the programs to attend trade schools, and changes in the need-analysis formulas have shifted funds to a rapidly increasing number of independent students and have thereby excluded from the programs traditionally-aged college students from families that also need assistance.

The charge to the task force was to determine why middle-income students are no longer well served by federal student aid programs and to develop options to solve the current problems they face. The first job of the task force was to define the group of students that are generally referred to as middle income. In an attempt to define middle income, the task force discussed two groups: those with family or personal incomes between $25,000 and $45,000 (loosely described as those who would be eligible for Pell Grant assistance if the Middle-Income Student Assistance Act (MISAA) were currently in effect); and those with incomes greater than $45,000. To strengthen the political base for the current aid programs, which has been shaken by the erosion of aid to the dependent student, the task force decided to address the income-to-grant ratio of a decade ago, and thus make more middle-income students eligible for aid. Using a $25,000 income in 1978 dollars as the basis (this income was cited in legislation as the income at which a student should receive a minimum Pell Grant), a family with an income of $47,984 should be served by the federal aid programs in 1989. In adition, a minimum grant of $200 in 1978 would translate to a minimum grant of $384 in 1989, based on changes in the Consumer Price Index (CPI).

The plight of the middle-income family is demonstrated by an examination of the current effectiveness of the Pell Grant program in serving a broad range of dependent students who need assistance in paying for college. Using data from the Census Bureau's 1987 Current Population Survey for married couples whose head was aged 45-54 (the likely age for parents of students aged 18-22), we divided the families into five groups according to income levels. Roughly speaking, one could describe the groups as representing lower-, lower-middle-, middle-, upper-middle-, and upper-income families. The first quintile included families earning less than $26,104; the second, families earning between $26,104 and $39,264; the middle quintile, those earning between $39,265 and $52,549; the fourth, between $52,550 and $72,137. Surprisingly, most students from lower-middle-income families (much less middle-income families) have very little chance of receiving a Pell Grant.

Since the dismantling of the MISAA, middle-income families have faced increased difficulty in meeting the rising cost of higher education. In 1986, congressionally mandated need-analysis formulas made the children of many middle-income families ineligible for federal assisance,

whether in the form of grants or loan subsidies. The family contribution schedule for independent students with dependents was changed in significant ways. These changes (and, to a smaller extent, the change in the definition of an independent student) resulted in increased funding for independent students. As a result, new funding has not been provided in any meaningful way for dependent students while funding for independent students has increased significantly. In fact, in a time of stagnant funding, increased eligibility for independent students actually has resulted in decreased funding for dependent students.

Given the cost of attending college today, it is essential that the federal government provide access and choice in higher education for these dependent, often middle-class, students. Such a commitment is clearly in the national interest. It makes our country more efficient economically, and it also allows individuals to realize more fully their potential as employees, informed citizens, and human beings.

Because funding for student aid programs has not kept pace with the increasing number of students entering short-term and vocational programs, nor with the price of education, the distribution of the available aid has become a major concern. In essence, needy students are competing with each other for limited funds.

At the same time, it must not be forgotten that budgetary decisions have inexorably driven down the income levels that trigger ineligibility. Some of these triggers have been enacted into law; some have resulted from the low maximum grant levels. Insufficient appropriations for student aid programs have caused a severe erosion of the purchasing power of the maximum Pell Grant and of the average campus-based award. The federal student aid awards have not kept pace with either inflation or college prices.

In the body of this report, the task force proposes a number of options for consideration by those who care about higher education and the students it serves. The task force considered several broad issues that must be discussed as we move toward changes that will assist middle-income students to pursue a higher education. Those issues are outlined below.

GENERAL CONCERNS

We recommend that the higher education community work to increase the maximum Pell Grant, increase funding for the campus-based student aid programs, revitalize the State Student Incentive Grant (SSIG) program, update the taxation tables in the congressional method of need analysis, and return to a less restrictive treatment of assets for guaranteed loans.

FUNDING FOR STUDENT AID PROGRAMS

Task force members think that students should be able to choose the education best suited to their abilities and aspirations. Even though Pell Grant funding continues to increase, the rapid expansion of the number of students entering the Pell Grant program has not allowed for significantly increasing the maximum possible Pell Grant for needy students. The maximum Pell Grant has not kept pace with either general price inflation or the cost of attending college. In the 1979-80 academic year, the maximum Pell Grant award was $1800. If the maximum Pell Grant award had simply kept pace with inflation, it would exceed $2800 in this 1989-90 academic year. Instead, the current maximum is $2300.

The other federal aid programs have not fared even that well. Between 1980-81 and 1988-89, funding for the Supplemental Educational Opportunity Grant (SEOG) program

decreased by 23.7 percent, funding for the SSIG program declined by 32.2 percent, and College Work-Study (CWS) funding decreased by 23.6 percent (in constant dollars). Since these three programs best help dependent students attending institutions in the collegiate sector, the underfunding of these programs exacerbated the problems of the middle-income students who were squeezed out of the Pell Grant program in the 1980s.

Former Education Secretary William Bennett often charged that increases in federal student aid fuel tuition increases. Several definitive studies have proved that assertion false -- the reverse is true. According to a study by the American Council on Education, tuitions increased at less than the rate on inflation (tuitions increased 90 percent while the CPI increased 114 percent) between 1970 and 1980 when the amount of federal student financial aid available quadrupled (increasing 313 percent). Conversely, in the first half of the 1980s, increases in federal aid programs lagged behind the rate of inflation (federal student aid programs increased by 17 percent while the CPI increased by 31 percent) and tuitions increased 77 percent.

Colleges and universities have reacted to the erosion of Pell Grant funding and the fact that Pell Grants no longer recognize students' needs to match their goals and abilities to particular institutions by increasing the amount of institutionally funded aid offered to students. Unfortunately, this rapid increase in aid to low-income students has in some measure been responsible for increased tuitions for other students. Inevitably, this has increased the stress on middle-income families.

PROGRAM CHANGES

There are a number of changes that should take place in the federal grant programs. These changes include options that would use federal funds to leverage state and local funds to benefit dependent students, strengthen students' ability to help themselves, tighten the independent student definition, and increase the programs' integrity.

Both the lack of sufficient federal funding and recent changes in the programs contribute to the problems that middle-income students face when they attempt to pay for college. Below are specific suggestions for change.

Federal Funds Must Leverage State and Locals Funds to Benefit Dependent Students

A primary concern of the task force is the underfunding of the basic programs that assist traditional students, such as dependent students seeking an associate or bachelor's degree. To make better use of federal dollars, we encourage an increased requirement for institutional matching for campus-based programs. By requiring larger institutional matching, additional funds will be available for all students, and the partnerships will be reinforced.

In addition to the partnership between the federal government and the institution, another important partnership is formed by federal and state governments through the State Student Incentive Grant (SSIG) program. That partnership must be encouraged and expanded, but the program should be carefully examined. For example, we recommend a requirement that any new federal dollars be matched by new state dollars. In addition, the SSIG program should be carefully reviewed for additional changes that might strengthen the program.

Self-Help

Many on the task force believe that eligibility for loan and work programs should be defined differently than eligibility for grant assistance, to enable students from slightly higher income families to help themselves with some government assistance.

The task force also thinks that middle-income students' eligibility for federally guaranteed loans should be re-examined to increase their access to funding. The change in the eligibility for Stafford loans (such as the elimination of the "look-up" tables) and the more restrictive need analysis for dependent students have virtually disenfranchised the middle-income student from the federal grant programs and Stafford loans. In addition to broadening eligibility for federal grants and Stafford loans, some task force members think that middle-income dependent students also should be able to participate in the Supplemental Loans for Students (SLS) program.

The loan programs and their interrelationships must be re-examined in this reauthorization. There was agreement that the Perkins Loan program should be revitalized, and that greater funding of that program might provide colleges with a good option for low-income and at-risk students. For example, a tiered approach to student loans could be considered. Under such an approach, perhaps at-risk students should be eligible for Perkins loans offering a lower interest rate and greater institutional accountability, while students with proven ability might be eligible for other loans in addition to the Perkins loan.

A variety of loan repayment options might be considered, such as loan forgiveness for national service or other social goals. However, there was no consensus on this option.

There was agreement that institutions should be allowed the flexibility to move funds among the campus-based programs so that they can best meet the needs of their students.

Even with these changes, parents with moderate incomes must be encouraged to plan ahead and save toward the education of their children. Only half of the parents who expect their precollege-aged children to attend college are saving for their college expenses, and, those who are saving are able to save only about $500 a year. The task force thinks it is very important to examine ways that parents can be encouraged to save for their children's college education, including possible federal tax incentives for saving and the removal of disincentives from need analysis.

Independent Student Definition

The task force sees the need for some changes in the definition of the independent student. As attendance by independent students has burgeoned in recent years, the need for funds for those students has risen dramatically. The resulting increased demand for funds has forced a rationing formula for dependent students. (The percentage of Pell Grants funds going to independent students increased from 33.8 percent in 1979-80 to 41.9 percent in 1981-82, 47.5 percent in 1983-84, 50.4 percent in 1985-86, and to 57.6 percent in 1987-88.)

The task force believes that the formulas and definitions for independent students should be reviewed to assure their accuracy and reasonableness. Modifications to the dependent student formulas and confidence in the methods used for defining an independent student would strengthen arguments for significant increases in appropriations.

Under the existing independent student definition, upper-income parents could manipulate the system by not claiming the student as a dependent for the previous two years and arranging for $4000 to be provided for the student, thus making the student "independent" under law. Likewise, under the existing definition, a student on his or her own may be unable to satisfy the requirements for independent status due to the fact that the parents have claimed the student as a dependent on their tax returns, or because the parents refuse to make the forms available. Furthermore, in certain areas, a student can survive independently on less than $4000 per year.

Due to the many problems triggered by the independent student definition, a revision is necessary. Some members of the task force would encourage the community to consider definitions of dependency that support parental responsibility for financing, although there is not a consensus on that issue. Many members of the task force feel that independent status should be a matter of necessity, not choice or convenience, for students younger than age 24. Others on the task force object to arbitrary age cutoffs to determine independent status, and urge that the community to recognize that the lines between necessity and choice are often blurry within a family.

Program Integrity

The Department of Education must accept the responsibility for effectively administering student aid programs. Taxpayers deserve better oversight of the way that their dollars are spent, just as students deserve the increased financial assistance that we believe increased credibility would bring. The federal government must provide institutions with sufficient training and technical assistance. Students and prospective students must be given adequate information about the programs. The programs must be managed efficiently so that oversight focuses on institutions with evidence of mismanagement and deficiencies in the administration of the programs. This must be done with two goals in mind: much more aggressive action should be taken against institutions that abuse the programs, but institutions that manage the programs effectively should be relieved of regulatory burdens. Across-the-board regulatory burdens that penalize all institutions for the actions of a few cost colleges and universities money that otherwise would be given to students in the form of institutional student aid. By virtue of their scope, these regulatory requirements also lose their effectiveness. This must stop.

The task force is concerned that current federal student aid programs no longer have the credibility needed to sustain future funding increases. This is in part due to media reports of abuses in certain trade schools and in part due to the loss of the support of middle-income voters, a key political base of support. In addition to the changes in methodology and increasing funding, there was some sentiment to consider some programmatic distinctions between different types of programs, e.g., for-profit/not-for-profit, collegiate/vocational, or degree/nondegree. Distinctions might also be made according to the length of programs. The goal would be to keep student choice intact, but to recognize that there is a need for separate definitions or regulations within the Higher Education Act based on the very different educational programs offered by institutions with very different missions. These distinctions would greatly help students. They also would enable better data collection, reduce regulatory burdens, and address some of the current frustration with the programs that now exists.

IV

TASK FORCE
on
GRADUATE and PROFESSIONAL EDUCATION

Chair:
John Vaughn, Director of Federal Relations
Association of American Universities

The nation's programs of graduate and professional education produced approximately 33,000 Ph.D.s, 290,000 master's degrees, and 74,000 professional degrees in 1987. The talented students who complete these programs are an extraordinarily rich resource for the nation. Doctorate recipients will become the scientists, teachers, and scholars responsible for the discovery and dissemination of new knowledge and the preservation and interpretation of our intellectual and cultural heritage. Master's education, one of the most rapidly evolving educational sectors, provides advanced training in a wide array of fields tailored to continually changing work force needs. Professional programs train people in medicine, dentistry, and other health professions, in law and theology, thereby providing the capacity to cure illness and disease, protect civil liberties and fundamental human rights, and sustain and develop society's values.

Because graduate and professional education serve important national needs, the federal government plays a significant role in their support. The Department of Education is a central component of that role. The reauthorization of the Higher Education Act provides an opportunity for the Administration and Congress to adjust the Department's legislative mandate to address the challenges and opportunities confronting graduate and professional education over the next five years.

GRADUATE EDUCATION

The principal problem confronting graduate education is a current and worsening shortage of Ph.D.s. Since World War II, the federal government has looked to research universities as the nation's primary source of basic research and advanced education. Federal support for faculty investigators, graduate students, facilities and instrumentation played a key role in the development of America's interdependent system of university research and graduate education, which is acknowledged worldwide for its quality and productivity.

That system is about to be severely stressed. Beginning in the mid-1990s, the imposition of increased undergraduate enrollments onto a strong, sustained faculty replacement demand will produce a substantial increase in the need for new faculty. This elevated faculty demand will combine with a growing demand for Ph.D.s in nonacademic markets to increase sharply the national need for doctorate recipients. It takes as average of seven years to earn a doctorate degree: the Ph.D.s that will be needed should be entering graduate school *now*.

But supply and demand are moving in different directions in graduate education. The percentage of U.S. citizens receiving doctorates has declined for over a decade. Our capacity to reverse that decline is severely constrained by our inability to attract larger numbers of non-Asian minorities and women into doctoral programs. Under current trends, the nation will suffer an annual shortfall of 7,500 natural science and engineering Ph.D.s just a few years into the next century. Shortages of Ph.D.s in the humanities and social sciences will occur even sooner. Faculty shortages have already appeared in engineering, business, and other high-demand fields. In academic year 1988-89, there were three business school faculty openings for each new

business doctorate recipient. In 1987, over 7 percent of all engineering faculty positions were unfilled, and more than half of assistant professors in engineering schools are foreign citizens. The impact of such shortages will strike industry, government, and colleges and universities, all of which depend on doctoral education.

PROFESSIONAL EDUCATION

Law, medicine, dentistry, theology, and the other professional fields are essential to the operation of our nation and to the health of its citizens. The federal government supports professional education both to foster these benefits and to fulfill its commitment to equal access to the careers that provide them.

The federal government provides both subsidized and nonsubsidized loan programs and several modest grant programs for students. Increasing costs of professional education are forcing professional students to reach maximum borrowing limits in the subsidized programs, necessitating a heavy reliance on nonsubsidized loans. Furthermore, increasing numbers of students begin professional programs with considerable undergraduate educational debt. As a result, indebtedness among professional school graduates has increased dramatically in the last 10 years.

There is concern that the increasing level of indebtedness is having a number of deleterious consequences. For one, educational debt may be becoming an insurmountable obstacle to the pursuit of professional degrees, especially for disadvantaged and underrepresented minorities. Also, indebtedness may be forcing graduates away from low-paying, public service careers and discouraging them from serving in rural areas. In the health field, these effects are exacerbating problems of access to adequate health care throughout the country.

OPTIONS FOR REAUTHORIZATION

The reauthorization of the Higher Education Act provides an important opportunity to address the problems confronting graduate and professional education. The following are a series of options discussed by the task force for accomplishing this goal.

1. Increased Grant Support for Graduate Study. The quickest and most cost-effective way to increase the number of U.S. citizens earning Ph.D.s is to expand grant support for doctoral study. Federal support for doctoral education has fallen substantially over the last 20 years; the percentage of doctorates earned by U.S. citizens has declined for over a decade. In 1969, the federal government funded 60,000 fellowships and traineeships; today it funds roughly 12,000. In 1972, 83 percent of doctorates awarded by U.S. universities went to U.S. citizens; by 1987, that percentage had dropped to less than 71 percent.

   Increased grant support should be designed to meet two broad objectives:

   (1) Increasing the percentage of U.S. citizens enrolling in doctoral programs in *all* disciplines.

   (2) Attracting into doctoral programs a larger portion of students from groups underrepresented in doctoral programs–Blacks, Hispanics, and American Indians in virtually all fields, and women in science and engineering fields.

The task force discussed two general allocation mechanisms by which grant support might be increased to meet such objectives:

(1) Merit allocation, by which fellowships and traineeships are awarded to the most promising students and the most productive departments through merit-reviewed national competitions. (Fellowship programs allocate funds directly to students; traineeships allocate funds to institutional departments and programs, which use the funds to support students selected by them.)

(2) Need-based grants allocated to students or to institutions by either extending or providing the equivalent of Pell Grant or SEOG grant support to graduate students. (The Pell Grant model would allocate grants directly to students on the basis of their individual financial need; the SEOG model would allocate grant support to students indirectly through institutional grants, the size of which would be determined by the relative financial need of an institution's graduate student population.)

These allocation mechanisms have very different policy justifications and distributional consequences. Both mechanisms must confront the fact that virtually all graduate students require financial assistance and that federal resources will meet a comparatively small portion of that aggregate assistance. The policy assumption underlying a need-based grant program is that the fundamental federal role in support of education at all levels of higher education is the expansion of educational opportunity through reduction of financial barriers, and the allocation of resources based on financial need is central to that objective.

Underlying the merit allocation mechanism is the view that a clear demarcation should be drawn between policies governing the allocation of federal support for undergraduate and graduate education. Expansion of educational opportunity through reduction of financial barriers should be paramount at the undergraduate level. At the graduate level, however, federal policy should be designed to encourage a sufficient number of highly talented students in each discipline to pursue the highest level of education offered in that discipline by awarding grants to the most promising students and most effective programs. Such a policy is necessary to provide the intellectual resources needed by the nation to carry out its programs of teaching, scholarship, and research and development–in academia, industry, and government.[1]

A merit program, properly structured, provides a level of support sufficient to attract talented students into doctoral programs, improve their retention, and reduce their time-to-degree. Given a minimum grant size sufficient to meet those program objectives, the level of program funding would determine how many such students would be supported. A need-based program could distribute support to a broader range of students and institutions; however, at an equivalent level of program funding, greater breadth of support would necessarily be offset by less support per student.

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[1]. The difference between need-based and merit based mechanisms is one of degree, not kind. It is obvious that a need based program supports talented students. Under a policy designed to attract gifted students into graduate programs, irrespective of their financial circumstances, virtually all of the students supported would require financial assistance for graduate study. Note that the arguments for merit-based aid are essentially limited to *grant* support; the Title IV loan programs, which provide valuable financial assistance for graduate and professional students, include a number of appropriate need assessment provisions.

The most straightforward way to expand grant support through the Department of Education is through expansion of three existing programs, the Patricia Roberts Harris Graduate Fellowship program, the Jacob K. Javits Fellowship program, and Graduate Assistance in Areas of National Need. Such an approach addresses both of the objectives of increased grant support listed above: to increase enrollments of U.S. citizens, and to increase the participation of students from underrepresented groups. Since all of these programs are competitively funded, such an approach would provide expanded grant support through merit allocation procedures.

Harris Fellowships: The Harris program is particularly well suited to increase participation rates by Blacks, Hispanics, American Indians, and women. The program provides nearly 50 percent of federal grant support focused on students from groups underrepresented in graduate and professional study. The nation will need to encourage a larger number of students from these groups to complete doctoral programs if we are to meet the expanded Ph.D. demand that will soon confront us. Yet the program is supporting fewer students now than it did in FY 1986–a little over 1,000, down from 1,400.

The Harris program might be expanded in two ways. First, the program should be expanded to support a larger number of students. Second, the duration of support provided for doctoral study through the Harris program could be increased. Consideration might be given to providing fellowship support for the first three years of doctoral study, followed by a year of dissertation support if that occurs within six years. Such a program would increase the overall amount of support provided for doctoral study and would provide both entrance and exit incentives for reducing time-to-degree.

In FY 1989, the Harris program awarded grants to 183 institutions, providing fellowship support for 1,007 students. By increasing both the number of students supported and the amount of student support provided, the Harris program could provide effective, broadly distributed incentives for students from underrepresented groups to enroll in and complete doctoral programs. Expansion of the Harris program would also strengthen the federal commitment to postbaccalaureate educational opportunity by increasing the available grant support for students from underrepresented groups to enroll in master's and professional programs.

Javits Fellowship Program: The Javits program is the only federally funded fellowship program that has as an express purpose promoting graduate study in the humanities and the arts, and is one of few programs providing a small amount of fellowship support in the social sciences. Yet recent data document an extraordinary "flight" from the humanities and related fields by undergraduates, and a serious shortage of faculty in these fields before the turn of the century. In 1984-85, less than 5 percent of *all* bachelor's degrees were awarded in the humanities; by the 1997-2002 time period, there will be only 7 candidates for every 10 faculty vacancies in the humanities and social sciences.[2]

It is critical that this program be substantially expanded, reliably funded, and well administered. Since its inception, the program has been subjected to steady attacks by the Administration, uneven funding by Congress, and inadequate staffing by the Department of Education. That treatment of the program by the federal government has never been defensible. The clear evidence now available for the great disparity between

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2. Bowen, William G., and Julie Ann Sosa. *Prospects for Faculty in the Arts and Sciences: A Study of Factors Affecting Demand and Supply, 1987 to 2012.* Princeton Press, Princeton, New Jersey, 1989.

supply and demand in the humanities and social sciences makes it imperative that the damaging patterns of funding and administration of the Javits program be quickly rectified.

National Need Traineeships: Like the Harris program, this program awards grants to institutions or departments to be used to support graduate students selected by them. The authorizing legislation stipulates that awards are to be made in designated "areas of national need, such as mathematics, biology, physics, chemistry, engineering, geosciences, computer science, or foreign languages or areas [sic] studies". [3] Through a consultative process that the Department has yet to follow in any rigorous manner, [4]the Secretary selects fields of national need as eligible for traineeship competitions. Although in principle, the Secretary could make a determination that virtually any field is an area of national need warranting support, the legislation makes clear the intent of Congress that this program support graduate study primarily in science and engineering fields.

Combined data from the National Science Foundation and the Bowen and Sosa study project shortages in virtually all fields of study.[5] The obvious programmatic response to these data is to extend unambiguously the purview of the National Need program to cover all fields.

The nation entered the decade of the '60s impelled by the shock of Sputnik and the prospect of greatly increased college enrollments. The federal government's primary response was the National Defense Education Act. Between 1959 and 1973, NDEA Title IV supported the graduate study of over 45,000 students. This program made possible the careers of many current faculty members on campuses nationwide and of scientists and engineers in industry and government laboratories.

The purpose of the National Need program is "to sustain and enhance the capacity for teaching and research in areas of national need . . ." The nation now requires such an effort to cover the full range of disciplines.

Grants to Institutions to Encourage Minority Participation in Graduate Education: This program provides research internships to promising minority *undergraduate* students to interest them in and prepare them for graduate study. Undergraduate research internship and other early identification programs are among the most effective mechanisms for increasing the proportion of minority undergraduates that pursue graduate study. The Title IX program should be expanded to meet fully the capacity of institutions to conduct effective internship programs.

This program has great potential for increasing the pool of students eligible for Harris fellowships; these two programs should be integrated as fully as possible. Consideration

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3. Public Law 99-498-Oct. 17, 1986.

4. "[C]onsultation with the National Science Foundation, the National Academy of Sciences, the National Endowment for the Arts and the Humanities, and other appropriate Federal and nonprofit agencies and organizations..." has amounted to desultory contacts with to a few of the named organizations, whose recommendations have not been seriously acted upon.

5. NSF data show that under current trends, the nation will exeperience and *annual* shortfall of 7,500 natural science and engineering Ph.D.s by the year 2004, across the academic, government, and industrial sectors. Bowen and Sosa, cited earlier, project faculty shortages in virtually all fields, corroborating and extending the NSF data for the academic sector.

should also be given to increased articulation between the Title IX undergraduate internship program and the Ronald E. McNair Post-Baccalaureate Achievement Program and the other Title IV TRIO programs.

Expansion of undergraduate, early identification programs is one of the most effective tools available to the federal government to expand the pool of students from underrepresented groups who are eligible for *all* forms of postbaccalaureate study. Such expansion would assist institutions in their efforts to increase participation by disadvantaged and minority students in graduate and professional programs, thereby expanding educational opportunity and assisting institutions to meet the growing demand for the graduates of these programs.

Other Title IX Programs: The Harris Public Service Fellowships are poorly differentiated from the Harris Graduate Fellowships program. Although both programs provide valuable graduate support, their effectiveness might be enhanced either by providing the programs with more clearly differentiated purposes or by incorporating the public service program into the Harris Graduate Fellowship program. One way to achieve the first of these changes would be to eliminate support for master's study as a terminal degree under the Harris Graduate Fellowship program and expand the public service fellowship program to support master's study across a broader range of public service fields such as social work, where a master's degree is typically the highest degree offered. Grant support for master's study in such fields is warranted because the subsequent careers serve valuable public purposes but provide at best modest earning potential.

The task force did not discuss the two law school programs (Legal Training for the Disadvantaged (CLEO) and the Law School Clinical Experience Program) at any length.

2. Reorganization of Graduate Programs. The current Title IX programs are administered by different program officials under different procedures and schedules. The lack of common procedures compatible with academic practices impairs the utility of the programs. The Title IX programs discussed above share the procedure of awarding grants through competitive processes judged by professional reviewers competent to exercise such judgments. They should be administered as a unit by a common staff with a working knowledge of all programs. By separately organizing the programs within the Department similar to the organization of the Title VI International Studies programs, the Department could expand and coordinate staff support and develop integrated procedures compatible with academic practices.

   The task force is uncertain of the extent to which the needed organizational changes should be carried out through legislation or through regulation, but it is clear that the Department's support of graduate education could be substantially improved through the administrative consolidation of the Title IX programs.

3. Use of Financial Need Analysis in Graduate Grant Programs. Although all Title IX grants are awarded competitively, they all currently employ some form of need analysis to determine the stipend level. The task force members differed on the use of need analysis in these programs in accordance with their views on need-based vs. merit-based aid at the graduate level.

   There is certainly some appeal to this hybrid policy of awarding grants based on merit and determining the level of support based on financial need, since its objective is to support the most promising students but not in excess of their financial need. There are

both policy and practical reasons for rejecting such a practice. The practice may undermine a policy of seeking to provide sufficient incentives to attract into graduate education highly talented students whom the nation needs for teaching and research but who have many other career options. At a practical level, the enormous administrative burden on campuses and on the Department to carry out the requisite need analyses results in little or no difference in the size of stipends because the financial need of graduate students exceeds or approximates the maximum stipend level.

There was broad agreement within the task force that, if need analysis were to be used with graduate grant programs, it should be geared to the distinctive conditions of graduate study and graduate students and therefore differ from procedures designed for undergraduate education. Although reluctant to foster a further proliferation of need analysis procedures, the task force believes that any need analysis at the graduate level should be simple and locally determined, based perhaps on a minimal set of federally specified elements.

It should be noted that the Department of Education is the *only* federal agency that subjects graduate stipends to a financial need analysis.

4. Postbaccalaureate Loan Support. Loans provide a critical source of financial support for both professional and graduate education. Loans are often the primary source of support for students in professional and master's programs, but they are increasingly necessary as a source of supplemental support in doctoral programs that provide access to fellowships, traineeships, and assistantships.

Professional students are heavily dependent on loans to finance their education, and the cost of professional education has reached very high levels. Therefore, access to sufficient loan capital and the cost of that access are of paramount concern to professional students. The following issues concerning loan programs and the attendant need analyses are of particular concern to professional students; most are important for graduate students as well.

(1) Increased funding for the Perkins Loan Program: With a statutorily specified low interest rate, the Perkins Loan Program provides even lower cost financial assistance than the Stafford program. Increased funding would enable more students to benefit from its favorable terms and could be particularly helpful in addressing the increased indebtedness confronting graduate and professional students.

(2) Use of base-year vs. estimated-year income for determining financial need: The use of base-year income penalizes a large proportion of postbaccalaureate students who have worked for a year or more after completing their undergraduate education. Financial aid administrators have authority to exercise professional judgment and use projected current year income when they believe it would provide a more appropriate determination of a student's expected contribution. However, since use of base-year income is inappropriate for so many professional and graduate students, use of current year estimates should be the rule, with professional judgment applied to the exceptions where base year would be more appropriate.

(3) Inclusion of costs related to postbaccalaureate activities in federal student aid budgets: Students in professional and certain graduate programs often incur activity costs which are directly related to those programs and are essential to

the completion of educational objectives. Although not legislatively proscribed from student budgets, Department regulations prohibit the use of federal financial aid to meet such costs as fees for licensing exams. Consideration should be given to modifying need analysis legislation to include explicitly such costs in determining student budgets.

(4) Stafford Student Loan limits: As with other higher education sectors, graduate and professional education costs have risen considerably in recent years. Particularly in professional programs, the combination of high cost and length of study have pushed students to their annual and aggregate loan limits well before total educational costs are met. Consequently, students must borrow from nonsubsidized, higher interest loan programs, which substantially increases their indebtedness levels. Increasing the Stafford annual loan limits from $7,500 to $10,000 would reduce students' dependence on higher cost loan programs, resulting in more manageable debt levels and facilitating the choice of lower paying careers that serve society's poor and disadvantaged.

(5) Stafford Student Loan deferments: Some professional school graduates must continue their training to gain practical experience in their chosen field or specialty. Medical residents in particular must train in a hospital or health care facility for three to seven years or more. In recognition of the difficulty in making loan repayment during continued training, the Title IV statute provides a two-year deferment of Stafford and Perkins loan repayments during such extended training. However, the vast majority of residents must continue in a training program beyond two years. An extension of the deferment period to three years would bring policy into accord with reality and help alleviate the indebtedness barrier to expanded access to health professions education.

(6) Incentive grants to institutions for the establishment of loan repayment programs: Congress should consider establishing a program of matching grants to institutions for the development of loan repayment programs that would encourage and assist graduates to enter low-paying careers serving underprivileged populations. Some institutions have begun such programs on their own: a medical school provides loan repayment for graduates who choose to practice primary care medicine in rural, underserved areas; a law school provides loan repayment for graduates working in public interest law; a business school provides loan repayment for non-profit or public service management work by its graduates. A federal matching program could enable a larger number of institutions to adopt such programs.

Graduate and professional programs provide advanced education and training essential for the full development of the nation's intellectual resources and their application to society's needs. The students who pursue such programs must forego earned income and take on added financial burdens. These costs, combined with increased undergraduate indebtedness, are dissuading growing numbers of college graduates from pursuing postbaccalaureate study. The Department of Education has a critical role to play in the support of graduate and professional education. The Task Force believes that careful consideration of the issues raised in this report can help shape a responsible and effective set of policies that will serve the needs of students and the nation.

V

TASK FORCE
on
PROGRAM DEVELOPMENT

CHAIR:
Clyde C. Aveilhe, Director of Federal Relations
California State University System

STATEMENT OF PURPOSE

Since this reauthorization will occur at a time when the Higher Education Act (HEA) will have existed for a quarter of a century, members of our task force agreed that there would be some merit in a prefatory statement or section to revisit the rationale for the act, and to highlight to some extent what the act has accomplished. Task force members contended that this historical perspective should be set forth to not only remind legislators and others of why the HEA exists, and what it has accomplished, but also to focus attention more directly on positive rather than negative features of the higher education enterprise.

ADULT, COOPERATIVE AND URBAN EDUCATION

Adult, Cooperative and Urban Education programs were viewed as constituting a package which might generically be considered outreach programs. All of these programs speak in some ways to the service roles of higher education institutions. These outreach or service programs are currently scattered throughout the HEA with some having a history of modest to reasonable funding, and others having yet to receive appropriations. Task force members agreed that these programs along with Title V Partnership programs should remain in the HEA. Alternative strategies for continuing and strengthening the programs were suggested as follows:

1. Bring all of the outreach and service programs together in the HEA. The proponents of this position held that bringing the programs together would make the case for the programs more compelling as there would be a more coherent presentation of the significance of these programs if they were not scattered throughout the Act. The proponents of this approach felt that the creation of a reworked Title I could place these programs in a single title, and increase the possibility of getting all the programs funded. Programs that would be included in the refurbished Title I would include Title XI Urban Grants, title V Partnership programs, Adult Education, Cooperative Education, and the various postsecondary components of national service initiatives.

2. Do not place all of the outreach and service programs in one place in the HEA. Several task force members felt that placing all of these programs in one place could actually make the programs more vulnerable than they are now scattered throughout the HEA. The suggestion was made that putting all of the programs in a single title could create a very highly visible and prime target for legislators and others who oppose the programs individually, but do not now see them as a package with a single focus to be attacked. Additionally, certain of the programs that have traditionally enjoyed funding, e.g., Cooperative Education, have constituencies that would be unlikely to see anything to be gained for their specific programs by being placed in a reworked title with other programs that have yet to receive an appropriation.

INTERNATIONAL EDUCATION

The agenda for International Education is indeed an ambitious one. Recently, there has been considerable attention and energy devoted to policy development in the area of international education and foreign languages. With increased support on the Hill for USED international programs, the timing may be right for a real "international emphasis" in the coming reauthorization.

What is presented here in the task force report focuses primarily on new initiatives and not on technical issues relevant to existing programs under Title VI. Certain of the issues considered within the task force may be best packaged and treated separately from the HEA reauthorization recommendations. The sorting out of which, if any, elements belong in the HEA package and which do not can be handled at later stages in the process.

The issues identified for consideration are discussed below.

1. National Foundation for International Education and Competence. The purpose of this new foundation would be to lead and support an integrated comprehensive and concerted attempt to meet the nation's international education needs. The foundation would overlap the authority of existing USED programs, but is intended to be a supplement to, not a replacement for existing programs. The foundation proposal is one that may be best presented to Congress as a separate proposal outside of the HEA package.

2. Expansion of Funding Authority for Title VI and Fulbright-Hays. Current authority provides $49 million for Part A of Title VI and $5 million for Part B for 1987 an "such sums as necessary for the four succeeding fiscal years." Although the task force did not formulate a specific recommendation for authorization funding, such a recommendation should be included in the final formulations that emerge from the higher education community.

3. Undergraduate Study Abroad Opportunities. The need to expand study abroad programs has been addressed in ACE's "International Study and the Undergraduate." The ACE study recommends federal support for model programs targeted at special needs (e.g., programs on developing nations, pre-professional students, minority student participation) and a new student fellowship program for under-represented student groups.

   The need to address the area of study abroad has caused the establishment of a Task Force on Undergraduate Education Abroad by the National Association for Foreign Student Affairs (NAFSA), the Council on International Educational Exchange (CIEE), and the Institute on International Education (IIE). This task force will be looking at existing legislation providing for support for study abroad as well as considering new legislative proposals in these areas. The conclusions and recommendations of this task force will be included in the higher education community effort regarding reauthorization as soon as those conclusions and recommendations are available.

4. American Overseas Research Centers. These centers support higher education by providing operations bases for scholars to conduct advanced research in countries of vital importance to the U.S. These centers are, in essence, the counterpart institutions to the Title VI centers situated on U.S. college campuses. Proposals are currently being developed to expand HEA to afford support to the centers. Details of these proposals will

be made available in time to be considered in the higher education community's effort regarding reauthorization.

5. Foreign Language Teacher Training. The shortage of trained foreign language teachers should certainly be addressed in the higher education community's recommendations regarding the reauthorization of the HEA. Legislation introduced in the current congressional session by Rep. Leon Panetta (H.R. 2188) speaks to foreign language competence.

   Panetta's legislation proposes that a new Summer Foreign Languages Institutes program be authorized to provide programs for current foreign language teachers to increase their proficiency and for retraining teachers from other fields as foreign language teachers. The task force agrees with objectives of the Panetta legislation, and suggests that the higher education community address the goals of the Panetta legislation in its reauthorization recommendations.

VETERANS EDUCATIONAL OUTREACH PROGRAMS

Veterans Educational Outreach Program (VEOP) is contained in the HEA Title IV, Section 420A. Current authorization for this program is $5 million for FY 1989 with an appropriation of $2.8 million. Grants to institutions are entitlements as long as institutions have at least 100 veterans to be served. Institutions must apply annually for funds for the veterans program, but funds may be expended over a two-year period. The minimum grant to an institution is $1000. Approximately 90 percent of funds received by institutions must be used to maintain veterans' outreach recruitment, special education programs, and counseling services. Ten percent of funds received by institutions may be used for remedial programs for educationally disadvantaged veterans, tutorial assistance, and coordination with activities authorized under veterans employment and training programs of JTPA.

The task force accepted the contention that the Veterans Educational Outreach Program is a program that appears to do considerable good with a small amount of money. The following recommendations were offered for reauthorization:

1. Add Chapter 30 (Montgomery GI Bill) and Chapter 106 (National Guard Reserves) to category A.

2. Delete references to veterans under Chapter 34 which expires December 31, 1989.

3. Revise the program eligibility statement (Sec. 420 A) to allow new institutions and institutions which previously did not have significant numbers of enrolled veterans during years specified in the statement but now have significant numbers of enrolled veterans to be able to apply for grants.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE)

All task force members agreed that FIPSE has been a highly successful and exemplary agency. However, concern was expressed over FIPSE's structure. Specifically, FIPSE was seen as getting loaded up with too many programs, receiving too many prescriptions handed down from Congress. FIPSE was also seen as suffering from the fact that it has no real explicit constituency.

Erosion at FIPSE was linked to several factors:

1. The director is not a political appointee.

2. The FIPSE board is advisory and not particularly strong.

3. Increasingly, FIPSE has been moving from being a foundation to another agency handling categorical funding.

4. FIPSE has declined within the USED organizational structure.

Task force members recommended that the reauthorization address the factors cited above as causing erosion of FIPSE, and that a "FIPSE approach" should be incorporated into the categorical programs where possible. What is meant by a "FIPSE approach" is a logical, nonprescribed approach to the solution of prescribed problems.

TEACHER EDUCATION

Teacher education, found in Title V of the HEA, now has an authorization (1987) of $60 million and an FY 1989 appropriation of $21.4 million. Title V supports programs related to the preservice education and continuing professional development of teachers and school administrators. Title V has five parts: (A) Mid-career Teaching Training for Nontraditional Students; (B) School, College and University Partnerships; (C) Professional Development and Leadership Programs: (D) Teacher Scholarships and Fellowships: and (E) State Task Forces on Teacher Training.

The task force contends that Title V has become an amalgam of programs related to teachers and their preparation. The title lacks a conceptual framework linking it to national goals for teacher preparation and improvement. Individual program components within the title are not related to one another in a manner reflective of the continuum of preservice education and continuing professional development of educators.

The task force recommends that the shortcomings cited above be addressed in reauthorization. The task force also endorses the Title V recommendations prepared by the higher education community for the last reauthorization. Those recommendations should be reviewed for the coming reauthorization. The task force also recommends the addition of a new program for minority teacher recruitment.

VI

TASK FORCE
on
INSTITUTIONAL RESOURCES

Chair:
Mary Jane Calais, Director of Public Policy and Management Programs
National Association of College and University Business Officers

FACILITIES (Title VII)

Applications for funding for Title VII programs received by the Department of Education far exceed amounts available. In The Decaying American Campus: A Ticking Time Bomb, a 1989 report issued jointly by NACUBO and APPA, the needs to maintain and renovate, and for new construction to support the infrastructure of colleges and universities were found to be crucial. It was estimated that there is now a need to replace or renew 20 percent of campus plant facilities at a cost of $60 billion. An urgent need for $20 billion was identified to meet serious emergency conditions. It is vitally important that Title VII be reauthorized and that adequate funding levels be established.

RECOMMENDATION:

Title VII programs with adequate funding levels must be reauthorized to meet crucial campus infrastructure needs. Efforts should be undertaken to seek additional funding levels for areas identified as in the greatest need. Although financing alternatives need to be examined, the needs are great and many institutions lack access to the capital funds needed to correct the backlog of problems and to fund future needs.

Other program issues include:

1. Purposes. Currently, Section 701(a) limits projects to those which meet one of the seven purposes listed; and Section 701(b) establishes a priority for renovation projects.

   RECOMMENDATION:

   Consider amending the law to provide a priority for projects meeting one of these primary purposes, but not restricting eligibility only to such projects. Also consider if the priority for renovations should be absolute or only limited to some extent.

2. Grants for Undergraduate Academic Facilities. Under Part A an elaborate system for establishing a State plan and allotting funds among the States is mandated. Such a system is not cost effective or efficient in a period of relatively low funding levels.

   RECOMMENDATION:

   Amend the law to provide for a relatively simple program to be carried out by the Secretary using selection criteria to be established by the Secretary. Part B could serve as a model, particularly since its peer review mechanism provides an effective means of allocating scarce resources.

3. Loans for Academic Facilities/Housing and Other Facilities (VII-C, F). At present, two separate loan programs are authorized under Title VII: Part C which is the old Academic Facilities Loan Program and Part F which is the previous College Housing Loan Program (transferred from Title IV of the Housing Act of 1950 to Title VII) and which has been expanded to include undergraduate facilities.

RECOMMENDATION:

Combine the two programs into one broad program that can support both undergraduate and graduate academic facilities, housing, and related supporting facilities; or restructure the parts so that Part C is limited to all academic facilities loans (both undergraduate and graduate) and Part F to all housing facilities loans (both undergraduate and graduate).

4. Ten-Year Limit on Part F Loans (Sec. 762 (1)). At present no new loan can be made to an institution until 10 years after a previous loan was made under Part F, HEA of 1965, as amended.

RECOMMENDATION:

Amend the law to reduce this period to five years, or permit the Secretary to set a limit not to exceed ten years by publishing a notice in the Federal Register.

LIBRARIES (Title II)

1. College Library Resources (II-A). HEA II-A authorizes grants to assist the neediest academic libraries in maintaining and improving library collections and sharing resources. The problem is simply one of lack of funding. II-A was last funded in FY 1983 at $1.9 million, which funded small grants averaging $890 to over 2,000 institutions. All accredited institutions which maintained effort on library resources were eligible. Since then, in response to congressional and other criticism, need criteria developed by the academic library community were included in the HEA Amendments of 1986. The 1986 revision was structured so that limited funding would result in fewer, not smaller grants. For instance, an appropriation of $2 million would provide grants averaging $5,000 to about 400 of the nation's neediest academic libraries.

RECOMMENDATION:

Since the need criteria enacted in 1986 have not been tested in practice because of a lack of funding, it seems premature to suggest changes. However, a new emphasis through reauthorization might make II-A more likely to be funded. One alternative would be to emphasize the existing resource sharing purpose rather than the collection emphasis of the past. However, this could lead to overlap with other programs such as HEA II-D.

2. Library Training (II-B). As the 1988-89 Occupational Outlook Handbook notes, there is a growing shortage of trained librarians, and the master's degree graduates in library science have dropped to less than half the level of the mid-1970s. Shortages are particularly critical in the areas of school media, children's and young adult services, science reference, and cataloging, and training in these areas has been targeted as a priority for the II-B grants. Since II-B's inception in 1966, more than 4,000 fellowships have been awarded, many to members of minority groups. A larger-than-

average proportion of librarians will reach retirement age through the year 2000. Fully 15 percent of the approximately 550 library school faculty are 60 years of age or older, and already graduate library schools are having difficulty locating appropriately-prepared faculty members. At the January 1989 meeting of the Association for Library and Information Science Education, there were only 26 persons available to fill more than 50 faculty openings. In FY 1988, 64 institutions of higher education requested over $3 million in training funds for fellowships and institutes, but only $409,000 in II-B money was available. Stipends (for the academic year and summer) are $5,400 for a master's and $7,400 for a doctoral fellowship, with an equal amount for the institution. In summary, there are increasing shortages of librarians and library educators; less than half a million in federal II-B aid is available.

RECOMMENDATIONS:

(1) Reemphasize the traditional II-B emphasis on recruitment of minorities to the library field in light of changing U.S. demographics, especially at the master's level for training of those providing direct service to the public.

(2) Consider a restructuring at the Ph.D. level to increase prestige, provide more adequate stipends, and more adequate funding. Possibilities include development of a prestigious competitive doctoral fellowship program, with grants applied for directly by prospective students, whom graduate library schools would compete to attract. (Current grants are awarded to institutions, who then recruit students.) Emphasize the changing nature of the skills needed by librarians who must keep up with rapidly evolving information and telecommunications technologies. Graduates of the restructured doctoral fellowship program would be highly desirable candidates for library school faculty and large library directorship positions.

(3) Move level of library graduate fellowship grants up to the same level as other federally supported graduate programs.

3. Strengthening Library Research Resources (II-C). HEA II-C provides grants to major research libraries to assist in strengthening the collections and to make the materials available to other libraries whose users have need for them. Activities supported are: cataloging, including listing titles in nationally available bibliographic databases; preservation of materials; and collection development. The problem is a gradual decline of appropriations for the program resulting in fewer and smaller grants. The need regularly exceeds the available funds. For example, in 1989, the Department of Education received 84 applications requesting a total of $14.5 million. The appropriation is $5,675,000; about 35-40 awards are anticipated.

Individual projects are perceived as making a useful contribution to a specific research collection (i.e., 18th, 19th, and 20th century Spanish periodicals and newspapers). A review of the results of the first decade of the II-C program is under way by American Research Libraries (ARL) and preliminary results confirm that the individual projects, assessed collectively, have had a major impact on improving the assessibility and availability of research materials to faculty and independent scholars of the nation. The problem is how to increase the funding to accelerate completion of the bibliographic picture and preservation of research materials.

RECOMMENDATION:

Reauthorize the II-C program using the results of the ten year study to substantiate the national significance of the local projects. Seek evidence to document dimension of further need.

4. College Library Technology (II-D). HEA II-D provides grants of at least $15,000 (with a one-third matching requirement) for a three-year period to institutions of higher education, combinations of higher education institutions, and other public and private nonprofit organizations which provide library and information services to higher education on a formal cooperative basis. Four types of grants are provided: for technological equipment for participating in networks and sharing of library resources; consortia and joint-use library facilities, equipment, or resources; projects that improve information services to higher education institutions; and research and development projects to meet special national or regional needs in utilizing technology to enhance library or information sciences. The first awards under II-D were made in 1988 and are now beginning year two of the three year project.

   The goal of a nationwide network of information resources in support of scholarship and development is strengthened with each library that is able to participate. Much of the information needed by students, scholars, and business people, is available only in electronic form. Capitalization has posed a significant barrier to the ability of many academic libraries to take full advantage of technological applications. The problem is the modest appropriation, currently at $3,651,000. In FY 1989 the Department of Education received 381 applications requesting $31 million; approximately 45-50 proposals are expected to be funded.

   RECOMMENDATION:

   Reauthorize HEA II-D. In this second year of operation the need for the program is obvious, but recommendations for change must await an assessment of the program impact and further need.

INSTITUTIONAL AID (TITLE III)

1. Lack of Program Evaluation. A comprehensive evaluation of the Title III program has never been undertaken. A compilation of the types of projects funded (and not funded), along with an assessment of outcomes would be useful in determining if the programs are achieving goals and desired results, and provide important information to guide the future direction of the Title III program.

   RECOMMENDATION:

   Authorize a GAO study of the program sometime in the early 1990's to cover all aspects of the program and the eligible institutions that participated.

2. Departmental Review and Assistance. Lack of departmental funds for readers and site visits. Program staff have limited opportunity to visit project sites to provide oversight and technical assistance and to observe how institutional programs are working.

RECOMMENDATION:

Support an increased departmental salaries and expense allocation to allow for site visits, readers, and technical assistance. One option would be to request a line-item authorization for technical assistance and program monitoring staff functions to the Assistant Secretary for Postsecondary Education for use by the Title III program. A set aside of approximately 1percent or $1 million of appropriations each year to be used for administration of program would be suggested.

3. Community College Setaside (Sec.360 (c)). The large Part A setaside for community colleges ($51.4 million) results in very limited funds being available for four-year colleges, unless the appropriation for Part A is substantially increased. For example, in FY 1988 no funds were available for new grants to four-year institutions due to low appropriations.

RECOMMENDATION:

Possible solution would be to make the setaside a percentage and not a dollar figure. Another solution would be to eliminate the setaside and let proposals be funded on merit alone. Or it might be possible to change the rules for what happens to the setaside amount if appropriations are below a certain level. Since the problem is caused by lack of funding, an alternative option would be to request increased funding or leave set-asides as they are and to tie funding to projected enrollment.

4. Minority Institution Preference (Sec. 360 (c) (2)). Wording of this section calls for 25 percent of excess funding over a prescribed level to go to institutions with the "highest" percentages of students who are members of certain minority groups. In practice, this has led to funding of only institutions with 100 percent minority enrollment and left institutions with high levels of minority enrollment and more highly-rated proposals unfunded.

RECOMMENDATION:

One option to address this problem would be to change the wording to "high" rather than "highest" and let the Secretary of Education determine the rank order for allocating funds.

5. Minimum Grants for Historically Black Colleges and Universities (HBCUs) (Sec. 324). Because of the funding formula, very small institutions are unable to get larger grants when appropriations increase.

RECOMMENDATION:

Raise the Part B minimum grant from $350,000 to $500,000 and modify section 324(c). In addition, to achieve a more equitable distribution and uniformity in computations: (a) change the one part of the formula in Sec. 324(c) that has a percentage calculation to a number calculation so that the formula will be number driven; and (b) establish a uniform process for determining which students qualify for inclusion in the formula used to determine how many students finished college in four/five years and entered into graduate or professional school.

6. HBCUs Graduate Schools (Sec. 326 (e)). The listing of specific institutions excludes a number of graduate schools which would otherwise be eligible.

RECOMMENDATION:

One option would be to add five new graduate/professional schools: Xavier University School of Pharmacy, Florida A&M University College of Pharmaceutical Sciences, Texas Southern University School of Pharmacy or Thurgood Marshall College of Law, North Carolina Central University School of Law, and the Southern University School of Law. Another option would be to add legislative language that would permit institutions to be included when they meet eligibility requirements.

7. Activities Supported by Part B (Sec. 323). The specific list of approved uses of funds prohibits support of critical areas such as fund raising. A more general statement is needed that would authorize institutional activities which support and enhance the purposes of the Black College and University Act.

RECOMMENDATION:

Add language to Section 323 which would permit Part B institutions to carry out activities, approved by the Secretary, which contribute to carrying out the overall purposes of the Act, such as enhancing fund raising or institutional development capacity and expanding the enrollment of high school graduates in mathematics, the physical or natural sciences, and foreign language study, or who want to teach in elementary or secondary school.

8. Old Challenge Grant Language(Sec. 331). This section covers the old, now inactive challenge grant program, and is confused with the Endowment Challenge Grants covered in Section 332.

RECOMMENDATION:

Eliminate Section 331.

9. Preferences for Part C Grants (Sec. 332 (f)). Because of current funding levels, the limitation of eligibility for Part C grants to current Part A and B recipients creates perceived inequities.

RECOMMENDATION:

Removing the preference for A + B grantees altogether, or expanding the preference to include current and former A + B grantees would help remove inequities. One option or alternative would be to increase the authorized level significantly and provide a certain percentage for former A + B grantees.

10. Participation of HBCUs in Part C. There is a need to increase participation of HBCUs in Part C.

RECOMMENDATION:

Establish a setaside that provides specific funding in Part C for HBCUs.

11. Terms of Endowment Challenge Grants (Part C). There is a need to increase the number of grantees in Part C.

RECOMMENDATION:

Establish a $1 million "cap" on Endowment Challenge grants when appropriations are $10 million or less; a $2 million "cap" when appropriations are between $11-20 million; and no limit when appropriations rise above $21 million. The "sit out" period for those institutions which secure large Part C grants (those which provide a $2 federal match for each institutional dollar) should be reduced from ten to five years.